

01 July 2024

SECURITIES AND EXCHANGE COMMISSION

8/F SEC Headquarters, 7907 Makati Avenue

Bel-Air, Makati City 1209

Attention: **Director Rachel Esther J. Guntang-Remalante**
Corporate Governance and Finance Department

Re: **Annual Corporate Governance Report for 2023**

Ladies / Gentlemen:

In accordance with SEC Memorandum Circular No. 13, Series of 2021, we hereby submit the Annual Corporate Governance Report (ACGR) of ALFM Peso Bond Fund Inc. for the year 2023.

The attached ACGR provides an accurate and comprehensive overview of our company's corporate governance practices throughout the year 2023, with all other required directors' and officers' signatures included as mandated.

Thank you.



ATTY. SABINO B. PADILLA IV
Corporate Secretary



SEC FORM-ACGR (FOR PC/RI)

ANNUAL CORPORATE GOVERNANCE REPORT FOR PUBLIC COMPANIES AND REGISTERED ISSUERS

1. For the fiscal year ended **December 31, 2023**
2. SEC Registration Number **A1997-12806**
3. BIR Tax Identification Number **201-184-505**
4. Exact Name of the Issuer as specified in its charter **ALFM PESO BOND FUND, INC.**
5. Province, Country or other jurisdiction of incorporation or organization **Metro Manila, Philippines**
6. Address of Principal Office **7/F, BPI BUENDIA CENTER, SEN. GIL J. PUYAT AVE., MAKATI CITY**
7. Postal Code **1209**
8. Issuer's telephone number, including area code **(632) 8580-0900**
9. Former name, former address, and former fiscal year, if changed since last report **N/A**
10. Industry Classification Code (For SEC's use only) _____

ANNUAL CORPORATE GOVERNANCE REPORT FOR PUBLIC COMPANIES AND REGISTERED ISSUERS

RECOMMENDATION

COMPLIANT/ NON-COMPLIANT

ADDITIONAL INFORMATION

EXPLANATION

THE BOARD'S GOVERNANCE RESPONSIBILITIES

Principle 1. ESTABLISHING A COMPETENT BOARD

The company should be headed by a competent, working Board to foster the long-term success of the corporation, and to sustain its competitiveness and growth in a manner consistent with its corporate objectives and the long-term best interests of its shareholders/members and other stakeholders.

Recommendation 1.1

| | | | | |
|---|---|-----------|--|--|
| 1 | The Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector. | Compliant | <p><i>Provide information or link/reference to a document containing information on the following:</i></p> <p><i>1. Academic qualifications, industry knowledge, professional experience, expertise and relevant trainings of directors.</i></p> <p><i>2. Qualification standards for directors to facilitate the selection of potential nominees and to serve as benchmark for the evaluation of its performance.</i></p> <p>As of December 31, 2023, the Directors are the following:</p> <ol style="list-style-type: none"> Jose Teodoro K. Limcaoco Simon R. Paterno Adelbert A. Legasto Raymund Martin T. Miranda Mario Antonio V. Paner (resigned last March 2024, replaced by David G. Sarmiento, Jr.) <p>For the detailed profile of the Directors, including academic qualifications, industry, knowledge, professional experience, expertise, and relevant training. Please refer to pages 11 to 14 of SEC Form 17-A filed on April 13, 2024 ("SEC Form 17-A"), and in the Company's website:</p> <p>https://www.alfmmutualfunds.com/about/board-of-directors</p> <p>Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.</p> | |
| 2 | The Board has an appropriate mix of competence and expertise. | Compliant | | |
| 3 | Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization. | Compliant | | |

Recommendation 1.2

| | | | | |
|---|---|-----------|---|--|
| 1 | The Board is headed by a competent and qualified Chairperson. | Compliant | <p><i>Provide information or reference to a document containing information of the Chairperson, including his/her name, qualifications, and expertise.</i></p> <p>The chairperson during the 2023 term was Jose Teodoro K. Limcaoco.</p> <p>The Board is headed by a competent and qualified Chairperson. His qualification showing his competence is detailed in:</p> <ul style="list-style-type: none">Annex 1 – SEC 17-A, Page 11 <p>https://www.alfmmutualfunds.com/about/board-of-directors</p> | |
|---|---|-----------|---|--|

Recommendation 1.3

| | | | | |
|---|--|-----------|---|--|
| 1 | The company provides a policy on training of directors. | Compliant | <p><i>Provide link or reference to the company's Board Charter and Manual on Corporate Governance relating to its policy on training of directors.</i></p> <p>Please refer to:</p> <ul style="list-style-type: none">Annex 2 – MOCG, Page 12 | |
| 2 | The company has an orientation program for first-time directors. | Compliant | <p><i>Provide information or link/reference to a document containing information of the orientation program and trainings of directors for the covered year, including the number of hours attended and topics covered.</i></p> <p>For the orientation program, please refer to:</p> <ul style="list-style-type: none">Annex 2 – MOCG, Page 5 <p>For the annual continuing training for the directors, please refer to:</p> <ul style="list-style-type: none">Annex 2 – MOCG, Page 12 | |
| 3 | The company has relevant annual continuing training for all directors. | Compliant | | |

Recommendation 1.4

| | | | | |
|---|--|-----------|--|--|
| 1 | The Board has a policy on board diversity. | Compliant | <p><i>Provide information or link/reference to a document containing the company's board diversity policy.</i></p> <p><i>Indicate gender, age and competence composition of the board.</i></p> <p>Please refer to:</p> <ul style="list-style-type: none">Annex 2 – MOCG, Page 4 to 5 | |
|---|--|-----------|--|--|

Recommendation 1.5

| | | | | |
|---|---|---------------|--|---|
| 1 | The Board is assisted by a Corporate Secretary. | Compliant | Provide information or link/reference to a document containing information of the Corporate Secretary, including his/her name, qualifications, duties and functions. | |
| 2 | The Corporate Secretary is a separate individual from the Compliance Officer. | Compliant | | |
| 3 | The Corporate Secretary is not a member of the Board of Directors. | Compliant | Provide information or link/reference to a document containing information of the corporate governance training/s attended, including the date of training, number of hours and topics covered. | |
| 4 | The Corporate Secretary attends annual training/s on corporate governance. | Non-compliant | <p>The Board is assisted by Atty. Sabino B. Padilla IV, as Corporate Secretary, who is a separate individual from the Compliance Officer, and is not a member of the Board of Directors. Please refer to:</p> <ul style="list-style-type: none"> Annex 1 – SEC 17-A, Page 13 Annex 2 – MOCG, Page 23 to 24 | The Corporate Secretary, Atty. Padilla, will attend the required training this June 2024. |

Recommendation 1.6

| | | | | |
|---|--|---------------|--|--|
| 1 | The Board is assisted by a Compliance Officer. | Compliant | Provide information or link/reference to a document containing information of the Compliance Officer, including his/her name, position, qualifications, duties and functions. | |
| 2 | The Compliance Officer has a rank of Senior Vice-President or an equivalent position with adequate stature and authority in the corporation. | Non-Compliant | The Compliance Officer of 2023 was Glenn Noel L. Llaneta. Please refer to Annex 1 – SEC 17-A, Page 13. | Considering the size and limited scope of operations of the company, the Manager/Senior Manager officer rank of the Compliance Officer gives him adequate stature and authority. |
| 3 | The Compliance Officer is not a member of the board. | Compliant | <p>Hany Mae V. Dureza assumed the function of the Compliance Officer for the Fund last March 2024.</p> <p>The Compliance Officer is not a member of the Board.</p> | |
| 4 | The Compliance Officer attends annual training/s on corporate governance. | Compliant | <p>Provide information or link/reference to a document containing information of the corporate governance training/s attended, including the date of the training, number of hours and topics covered.</p> <p>In 2023, the Compliance Officer attended the 2023 Ayala Integrated Corporate Governance, Risk Management and Sustainability Summit training.</p> | |

Principle 2. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

The fiduciary roles, responsibilities, and accountabilities of the Board, as provided under the law, the company's articles of incorporation and bylaws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to shareholders/members and other stakeholders.

Recommendation 2.1

| | | | | |
|---------------------------|--|-----------|--|--|
| 1 | The Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company, shareholders and stakeholders. | Compliant | <p><i>Provide information or reference to a document containing information on how the directors performed their duties (this can include board resolutions and minutes of meetings).</i></p> <p>This is one of the responsibilities, duties, and functions of the Board. Please refer to:</p> <ul style="list-style-type: none"> Annex 2 – MOCG, Pages 4 and 10. | |
| Recommendation 2.2 | | | | |
| 1 | The Board oversees the development and approval of the company's business objectives and strategy. | Compliant | <p><i>Provide information or link/reference to a document containing information on how the directors performed this function (this can include board resolutions and minutes of meetings).</i></p> | |
| 2 | The Board oversees and monitors the implementation of the company's business objectives and strategy. | Compliant | <p><i>Indicate frequency of development of business objectives and strategy.</i></p> <p>This is one of the responsibilities, duties, and functions of the Board. Please refer to:</p> <ul style="list-style-type: none"> Annex 2 – MOCG, Pages 10 | |
| Recommendation 2.3 | | | | |
| 1 | The Board ensures and adopts an effective succession planning program for directors, key officers and management. | Compliant | <p><i>Disclose and provide information or link/reference to a document containing the company's succession planning policies and programs and its implementation.</i></p> | |
| 2 | The Board adopts a policy for the retirement of directors and key officers. | Compliant | <p>This is one of the responsibilities, duties, and functions of the Corporate Governance Committee. Please refer to:</p> <ul style="list-style-type: none"> Annex 2 – MOCG, Pages 17 to 18 <p>The Nomination Process is also detailed in the MOCG.</p> <ul style="list-style-type: none"> Annex 2 – MOCG, Pages 9 to 10 <p>Included in the Shareholders' Rights and Protection in the MOCG are the details of the Voting Rights and the process of these shall be executed during Shareholders' Meetings.</p> <ul style="list-style-type: none"> Annex 2 – MOCG, Page 26 | |
| Recommendation 2.4 | | | | |
| 1 | The Board aligns the remuneration of key officers and board members with the long-term interests of the company. | Compliant | <p><i>Provide information or link/reference to a document containing the company's remuneration policy and its implementation, including the relationship between remuneration and performance.</i></p> | |
| 2 | The Board adopts a policy specifying the relationship between remuneration and performance. | Compliant | <p>The recommendations are reflected in the MOCG. Please refer to:</p> <ul style="list-style-type: none"> Annex 2 – MOCG, Page 13 to 14 | |
| 3 | The Directors do not participate in discussions or deliberations involving his/her own remuneration. | Compliant | | |

Recommendation 2.5

| | | | | |
|---|---|-----------|---|--|
| 1 | The Board has a formal and transparent board nomination and election policy. | Compliant | <i>Provide information or reference to a document containing information on the company's nomination and election policy and process and its implementation, including the criteria used in selecting new directors, how the candidates are shortlisted and how it encourages nominations from shareholders.</i> | |
| 2 | The Board nomination and election policy is disclosed in the company's Manual on Corporate Governance. | Compliant | | |
| 3 | The Board nomination and election policy includes how the company accepted nominations from shareholders/members. | Compliant | <i>Provide proof if minority shareholders have a right to nominate candidates to the board.</i> | |
| 4 | The Board nomination and election policy includes how the board reviews the qualifications of nominated candidates. | Compliant | <i>Provide information if there was an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.</i> | |
| 5 | The Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement/removal of a director. | Compliant | For the Board nomination and election policy, please refer to: <ul style="list-style-type: none"> Annex 2 – MOCG, Pages 9, 26, 27 and 28 | |
| 6 | The Board has a process for identifying the quality of directors/trustees that is aligned with the strategic direction of the company. | Compliant | The above policy outlines the process for accepting nominations from shareholders and conducting a board review of the qualifications of nominees. Additionally, the policy includes an assessment of the effectiveness of relevant Board processes, with a focus on ensuring the quality of directors aligns with the company's strategic direction. | |

Recommendation 2.6

| | | | | |
|---|--|-----------|--|--|
| 1 | The Board has overall responsibility in ensuring that there is a policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions. | Compliant | <i>Provide information or reference to a document containing the company's policy on related party transaction, including policy on review and approval of significant RPTs.</i> | |
| 2 | The RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions. | Compliant | <i>Identify transactions that were approved pursuant to the policy.</i> The policy on Related Policy Transactions (RPT) can be found on: <ul style="list-style-type: none"> Annex 2, MOCG, Page 20 | |

Recommendation 2.7

| | | | | |
|---|--|-----------|---|--|
| 1 | The Board is primarily responsible for approving the selection of Management, led by the Chief Executive Officer (CEO) or his/her equivalent, and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive, as may be applicable). | Compliant | <i>Provide information or reference to a document containing the Board's policy on approving the selection of management.</i> <i>Identify the Management team appointed.</i> The Board's responsibility to approve the selection of the management is found in the following: | |
|---|--|-----------|---|--|

| | | | | |
|----------------------------|---|-----------|--|--|
| | | | <ul style="list-style-type: none"> Annex 2 – MOCG, Page 12 to 13 | |
| 2 | The Board is primarily responsible for assessing the performance of Management, led by the CEO or his/her equivalent and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive, as may be applicable). | Compliant | <p><i>Provide information or reference to a document containing the Board's policy on assessing the performance of management.</i></p> <p><i>Provide information on the assessment process and indicate frequency of assessment of performance.</i></p> <p>The Board's responsibility to assess the performance of the management is found in the following:</p> <ul style="list-style-type: none"> Annex 2 – MOCG, Page 12 to 13 | |
| Recommendation 2.8 | | | | |
| 1 | The Board establishes an effective performance evaluation framework that includes a standard or criteria for assessment and ensures that Management's performance is on par with the standards set by the Board and Senior Management. | Compliant | <p><i>Provide information or link/reference to a document containing the Board's performance evaluation framework for management and personnel.</i></p> | |
| 2 | The Board establishes an effective performance evaluation framework that includes a standard or criteria for assessment and ensures that personnel's performance is on par with the standards set by the Board and Senior Management. | Compliant | <p>Attached is a copy of the Board Self-Assessment Form which is made available to the members of the Board and the relevant Board-level committees annually.</p> <ul style="list-style-type: none"> Annex 4 – Self-Assessment Form | |
| Recommendation 2.9 | | | | |
| 1 | The Board ensures that an appropriate internal control system is in place. | Compliant | <p><i>Provide information or link/reference to a document showing the Board's responsibility in ensuring that an appropriate internal control system is in place, and what comprises the internal control system</i></p> | |
| 2 | The internal control system includes a mechanism for monitoring and managing potential/actual conflicts of interest of the board members/trustees, management and shareholders/members. | Compliant | <p>The responsibility of the Board to ensure that internal control system is in place and include a mechanism for monitoring and managing conflicts of interest of the Board members, management, and shareholders is in the following:</p> <ul style="list-style-type: none"> Annex 2 – MOCG, Page 13. | |
| 3 | The Board adopts an Internal Audit Charter. | Compliant | <p><i>Provide reference or link to the company's Internal Audit Charter.</i></p> <p>Attached (Annex 5) is a copy of the Board-approved Audit Committee Charter.</p> | |
| Recommendation 2.10 | | | | |

| | | | | |
|---|---|-----------|--|--|
| 1 | The Board ensures that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks. | Compliant | <i>Provide information or link/reference to a document showing the Board's oversight responsibility on the establishment of a sound enterprise risk management framework and how the board was guided by the framework.</i> | |
| 2 | The risk management framework guides the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. | Compliant | <i>Provide proof of effectiveness of risk management strategies, if any.</i> The MOCG specifies that the Board is responsible for implementing an Enterprise Risk Management (ERM) framework that enables the identification of risk exposures at both the unit and enterprise level, as well as the evaluation of risk management strategies for their effectiveness. Please refer to: <ul style="list-style-type: none"> Annex 2 – MOCG, Page 19 | |

Recommendation 2.11

| | | | | |
|---|---|-----------|---|--|
| 1 | The Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. | Compliant | <i>Provide link to the company's website where the Board Charter is disclosed and/or other proof that it is publicly available.</i> | |
| 2 | The Board Charter serves as a guide to the directors/trustees in the performance of their functions. | Compliant | Statement on the compliance to the Corporate Governance Manual forms part of the disclosures in the Fund's Prospectus, which is made available in the Fund's website. | |
| 3 | The Board Charter is publicly available. | Compliant | <ul style="list-style-type: none"> https://www.alfmmutualfunds.com/file-library Annex 3 - Prospectus_ALFM-Peso-Bond-Fund | |

Principle 3. ESTABLISHING BOARD COMMITTEES

The board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, compliance and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all the board committees should be contained in their respective board committee charters.

Recommendation 3.1

| | | | | |
|---|--|-----------|---|--|
| 1 | The Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities. | Compliant | <i>Provide information or link/reference to a document containing information of all board committees established by the company.</i> Please refer to: <ul style="list-style-type: none"> Annex 2 – MOCG, Page 14 | |
|---|--|-----------|---|--|

Recommendation 3.2

| | | | | |
|---------------------------|--|---------------|--|--|
| 1 | The Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. | Compliant | <p><i>Provide information or link/reference to a document containing information of the Audit Committee, including its functions.</i></p> <p><i>Indicate if it is the Audit Committee's responsibility to recommend the appointment and removal of the company's external auditor.</i></p> <p>The responsibilities, duties, and functions of the Audit Committee are set out in the following:</p> <ul style="list-style-type: none"> Annex 2 – MOCG, Page 15 to 16 | |
| 2 | The Audit Committee is composed of at least three (3) qualified non-executive directors, the majority of whom, including the Chairperson, are independent directors. | Compliant | <p><i>Provide information or link/reference to a document containing information of the members of the Audit Committee, including their qualifications and type of directorship.</i></p> <p>Please refer to:</p> <ul style="list-style-type: none"> Annex 1 – SEC 17-A, Page 10 | |
| 3 | All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. | Compliant | <p><i>Provide information or link/reference to a document containing information on the background, knowledge, skills, and/or experience of the members of the Audit Committee.</i></p> <p>Members of the Audit Committee as of December 31, 2023:</p> <p>Chairman:</p> <ul style="list-style-type: none"> Mario Antonio V. Paner (ID, NED) <p>Members:</p> <ul style="list-style-type: none"> Simon R. Paterno (ED) Raymund T. Miranda (ID, NED) | |
| 4 | The Chairperson of the Audit Committee is not the Chairperson of the Board or of any other committee. | Compliant | <p><i>Provide information or link/reference to a document containing information of the Chairperson of the Audit Committee.</i></p> <p>Please refer to:</p> <ul style="list-style-type: none"> Annex 1 – SEC 17-A, Page 12 to 14 | |
| Recommendation 3.3 | | | | |
| 1 | The Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee. | Non-compliant | <p><i>Provide information or reference to a document containing information of the Corporate Governance Committee, including its functions.</i></p> <p><i>Indicate if the Committee undertook the process of identifying the quality of directors aligned with the company's strategic direction, if applicable.</i></p> | While this is provided in the MOCG (Page 16), the establishment of a separate Corporate Governance Committee (CGC) is not necessary considering the size and limited scope function of the company and the regulatory guidance on governance |

| | | | | |
|---|---|---------------|--|---|
| 2 | The Corporate Governance Committee is composed of at least three (3) members, majority of whom, including the Chairperson, should be independent directors. | Non-compliant | <i>Provide information or link/reference to a document containing information of the members of the Corporate Governance Committee, including their qualifications and type of directorship.</i> | such as the establishment of an IOE. All corporate governance matters are presented and discussed in the Fund's Board meetings. |
|---|---|---------------|--|---|

Recommendation 3.4

| | | | | |
|---|---|---------------|--|---|
| 1 | The Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness. | Non-compliant | <i>Provide information or link/reference to a document containing information of the Board Risk Oversight Committee (BROC), including its functions</i> | While this is provided in the MOCG (Page 16), the establishment of a separate Board Risk Oversight Committee is not necessary, considering the size and limited scope function of the company and the regulatory guidance on governance such as the establishment of an IOE. Furthermore, most of the duties of the Fund are delegated to the Fund Manager which has its own Risk Management Committee. |
| 2 | The BROC is composed of at least three (3) members, the majority of whom should be independent directors, including the Chairperson. | Non-compliant | <i>Provide information or link/reference to a document containing information of the members of the BROC, including their qualifications and type of directorship.</i> | |
| 3 | At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management. | Non-compliant | <i>Provide information or link/reference to a document containing information on the background, skills, and/or experience of the members of the BROC.</i> | |

Recommendation 3.5

| | | | | |
|---|---|-----------|---|--|
| 1 | All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information. | Compliant | <i>Provide information or link/reference to the company's committee charters, containing all the required information, particularly the functions of the Committee that is necessary for performance evaluation purposes.</i> | |
| 2 | The Committee Charters provide standards for evaluating the performance of a committee and its members. | Compliant | Please see attached a copy of the Audit Committee Charter as Annex 5. | |

Principle 4. FOSTERING COMMITMENT

To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

Recommendation 4.1

| | | | | |
|---|--|-----------|---|--|
| 1 | The Directors attend and actively participate in all meetings of the Board, Committees and shareholders/members in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission. | Compliant | <i>Provide information or link/reference to a document containing the process and procedure for tele/videoconferencing board and/or committee meetings.</i> | |
| 2 | The Directors review meeting materials for all Board and Committee meetings. | Compliant | <i>Provide information or link/reference to a document containing the attendance and participation of directors to Board, Committee and shareholders' meetings.</i> The process and procedure of Board, Committee and shareholder meetings are set out in the MOCG. Please refer to: | |

| | | | | |
|---|--|-----------|---|--|
| | | | <ul style="list-style-type: none"> Annex 2 – MOCG, Pages 13 and 28 <p>For 2023, Board meetings were held in February, April, May, July, September, November, and December while the Audit Committee met once to approve the audited Financial Statement. The meetings were conducted physically and online, and all directors attended them.</p> | |
| 3 | The Directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings. | Compliant | <p><i>Provide information or link/reference to a document containing information on any questions raised or clarification/explanation sought by the directors</i></p> <p>Please refer to:</p> <ul style="list-style-type: none"> Annex 2 – MOCG, Page 13 | |
| Recommendation 4.2 | | | | |
| 1 | Non-executive directors concurrently serve in not more than ten (10) public companies and/or registered issuers. If concurrently sitting in at least three (3) publicly listed companies, the maximum concurrent directorships shall be five (5) public companies and/or registered issuers. | Compliant | <p><i>Disclose if the company has a policy setting the limit of board seats that a non-executive director can hold simultaneously.</i></p> <p><i>Provide information or reference to a document containing information on the directorships of the company's directors in listed companies, registered issuers and public companies.</i></p> <p>Non-executive directors are compliant with the maximum concurrent directorships in public companies and/or registered issuers. Please refer to:</p> <ul style="list-style-type: none"> Annex 1 – SEC 17-A, Page 11 to 13 | |
| Recommendation 4.3 | | | | |
| 1 | The Directors notify the company's board before accepting a directorship in another company. | Compliant | <p><i>Provide copy of/reference to the written notification to the board or minutes of board meeting wherein the matter was discussed.</i></p> <p>Please refer to:</p> <ul style="list-style-type: none"> Annex 2 – MOCG, Page 12 | |
| Principle 5. REINFORCING BOARD INDEPENDENCE | | | | |
| The Board should endeavor to exercise an objective and independent judgment on all corporate affairs. | | | | |
| Recommendation 5.1 | | | | |
| 1 | The Board is composed of a majority of non-executive directors who possess the necessary qualifications. | Compliant | <p><i>Identify or provide link/reference to a document identifying the directors, the type of their directorships and their qualifications.</i></p> <p>The Board is composed of four (4) non-executive directors.</p> <ul style="list-style-type: none"> Jose Teodoro K. Limcaoco | |

| | | | | |
|---------------------------|---|-----------|--|--|
| | | | <ul style="list-style-type: none"> • Adelbert A. Legasto • Raymund T. Miranda (ID) • Mario Antonio V. Paner [ID, resigned last March 2024, replaced by David G. Sarmiento, Jr. (ID)] <p>Please refer to:</p> <ul style="list-style-type: none"> • Annex 1 – SEC 17-A, Pages 11 to 13 | |
| Recommendation 5.2 | | | | |
| 1 | The Board has at least two (2) independent directors or such number as to constitute one-third (1/3) of the board, whichever is higher. | Compliant | <p><i>Provide information or link/reference to a document containing the number of independent directors in the board.</i></p> <p>The Board has two (2) independent directors.</p> <ul style="list-style-type: none"> • Mario Antonio V. Paner, resigned last March 2024, replaced by David G. Sarmiento, Jr. (ID) • Raymund Martin T. Miranda (ID) <p>Please refer to:</p> <ul style="list-style-type: none"> • Annex 1 – SEC 17-A, Pages 12 to 13 | |
| Recommendation 5.3 | | | | |
| 1 | The independent directors possess all the qualifications and none of the disqualifications to hold the position. | Compliant | <p><i>Provide information or link/reference to a document containing the qualifications of independent directors.</i></p> <p>Please refer to:</p> <ul style="list-style-type: none"> • Annex 1 – SEC 17-A, Pages 12 to 13 | |
| Recommendation 5.4 | | | | |
| 1 | The company perpetually bars an independent director from serving in such capacity after the term limit of nine (9) years. | Compliant | <p><i>Provide information or link/reference to a document containing the company's policy on term limits for its independent director.</i></p> <p>The company prohibits independent directors from being reappointed to the same position after the term limit of nine (9) years, ensuring that there is a rotation of directors and fresh perspectives are brought in. Please refer to:</p> <ul style="list-style-type: none"> • Annex 2 – MOCG, Page 7 | |
| 2 | In the instance that the company retains an independent director in the same capacity after nine (9) years, the Board provides meritorious justification and seeks shareholders'/members' approval during the annual regular meeting. | Compliant | <p><i>Provide reference to the meritorious justification and proof of shareholders'/members' approval during the annual regular meeting.</i></p> <p>There has been no instance that the Company retained an Independent Director after nine (9) years.</p> | |
| Recommendation 5.5 | | | | |
| 1 | The positions of Chairperson of the Board and Chief Executive Officer (or its equivalent) are held by separate individuals. | Compliant | <i>Identify the company's Chairperson of the Board and Chief Executive Officer (or its equivalent).</i> | |

| | | | | |
|--|--|-----------|---|--|
| | | | <p>The Chairperson of the Board in 2023 is Jose Teodoro K. Limcaoco and the President is Simon R. Paterno. Please refer to:</p> <ul style="list-style-type: none"> Annex 1 – SEC 17-A, page 11 | |
| 2 | The Chairperson of the Board and Chief Executive Officer (or its equivalent) have clearly defined responsibilities. | Compliant | <p><i>Provide information or link/reference to a document containing the roles and responsibilities of the Chairperson of the Board and Chief Executive Officer (or its equivalent). Identify the relationship of the Chairperson and CEO.</i></p> <p>The duties and responsibilities of the chairperson and Chief Executive Officer/President are on:</p> <ul style="list-style-type: none"> Annex 2 – MOCG, page 5 | |
| Recommendation 5.6 | | | | |
| 1 | The Board designates a lead director among the independent directors if the Chairperson of the Board is not an independent director. | Compliant | <p><i>Provide information or link/reference to a document containing information on a lead independent director and his roles and responsibilities, if any. Indicate if Chairperson is an independent director</i></p> <p>Mario Antonio V. Paner is the Lead Independent Director.</p> | |
| Recommendation 5.7 | | | | |
| 1 | The Directors/Trustees with material interest in a transaction affecting the corporation fully disclose his/her adverse interest, abstain from taking part in the deliberations for the same, and recuse from voting on the approval of transaction. | Compliant | <p><i>Provide proof of full disclosure and abstention, if any, of the interested director/trustee.</i></p> <p>The Directors are required to abstain from transactions in which they have adverse interest. Please refer to:</p> <ul style="list-style-type: none"> Annex 2 – MOCG, Page 12 | |
| Recommendation 5.8 | | | | |
| 1 | The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance, and risk functions, without any executive directors present. | Compliant | <p><i>Provide proof and details of said meeting, if any. Provide information on the frequency and attendees of meetings.</i></p> | |
| 2 | The meetings are chaired by the lead independent director, if applicable. | Compliant | Please refer to Page 17 of Annex 1 - SEC Form 17-A for exhibits and schedules of ALFM Mutual Fund meetings. | |
| Principle 6. ASSESSING BOARD PERFORMANCE | | | | |
| The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies. | | | | |
| Recommendation 6.1 | | | | |
| 1 | The Board conducts an annual self-assessment of its performance as a whole. | Compliant | | |

| | | | | |
|--|--|-----------|---|--|
| 2 | The Chairperson conducts an annual self-assessment of his performance. | Compliant | <i>Provide proof of self-assessments conducted by the whole board, the individual members, the Chairperson and the Committees.</i> | |
| 3 | The individual members conduct a self-assessment of their performance. | Compliant | | |
| 4 | Each committee conducts a self-assessment of its performance. | Compliant | | Please see attached copy of the Self-assessment form. <ul style="list-style-type: none">Annex 4 – Self-Assessment Form |
| Recommendation 6.2 | | | | |
| 1 | The Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors/trustees and committees. | Compliant | <i>Provide information or link/reference to a document containing information on the system of the company to evaluate the performance of the board, individual directors and committees, including a feedback mechanism from shareholders/members.</i> | |
| 2 | The system allows for a feedback mechanism from the shareholders/members. | Compliant | | Please refer to: <ul style="list-style-type: none">Annex 2 – MOCG, Page 11 |
| | | | | |
| Principle 7. STRENGTHENING BOARD ETHICS | | | | |
| The Board directors are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders. | | | | |
| Recommendation 7.1 | | | | |
| 1 | The Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of board members. | Compliant | <i>Provide information or link/reference to the company's Code of Business Conduct and Ethics.</i> <i>Provide information or discuss how the company disseminated the Code to the members of the Board.</i> | |
| 2 | The Code is properly disseminated to the members of Board. | Compliant | The Fund follows the BPI Group Code of Business Conduct and Ethics. The Code is applicable to and mandatory for all employees of the BPI group. | |
| 3 | The Code is disclosed and made available to the public through the company website. | Compliant | <i>Provide a link to the company's website where the Code of Business Conduct and Ethics is posted/ disclosed.</i> The Fund follows the BPI Group Code of Business Conduct and Ethics. The Code is applicable to and mandatory for all employees of the BPI group. Please refer to the link below for the 2023 BPI Integrated Reports, page 121. <ul style="list-style-type: none">https://www.bpi.com.ph/about-bpi/investor-relations/integrated-reports | |
| Recommendation 7.2 | | | | |

| | | | | |
|---|--|-----------|--|--|
| 1 | The Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics. | Compliant | <p><i>Provide proof of implementation and monitoring of compliance with the Code of Business Conduct and Ethics.</i></p> <p><i>Indicate who are required to comply with the Code of Business Conduct and Ethics and any findings on non-compliance.</i></p> <p>The Fund follows the BPI Group Code of Business Conduct and Ethics. The Code is applicable to and mandatory for all employees of the BPI group. Please refer to the link below for the 2023 BPI Integrated Reports, page 121.</p> <ul style="list-style-type: none"> https://www.bpi.com.ph/about-bpi/investor-relations/integrated-reports | |
|---|--|-----------|--|--|

DISCLOSURE AND TRANSPARENCY

Principle 8. ENHANCING COMPANY DISCLOSURE POLICIES AND PROCEDURES

The Board should establish corporate disclosure policies and procedures that are practical and in accordance with generally accepted best practices and regulatory expectations.

Recommendation 8.1

| | | | | |
|---|---|-----------|--|--|
| 1 | The Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders/members and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations. | Compliant | <p><i>Provide information or link/reference to the company's disclosure policies and procedures including reports distributed/made available to shareholders/members and other stockholders.</i></p> <p>Please refer to:</p> <ul style="list-style-type: none"> Annex 2 – MOCG, Page 25 | |
|---|---|-----------|--|--|

Recommendation 8.2

| | | | | |
|---|--|-----------|---|--|
| 1 | The company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within five (5) business days. | Compliant | <p><i>Provide information or link/reference to the company's policy requiring directors and officers to disclose their dealings in the company's shares.</i></p> | |
| 2 | The company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within five (5) business days. | Compliant | <p><i>Indicate actual dealings of directors involving the corporation's shares including their nature, number/percentage and date of transaction.</i></p> <p>Please refer to:</p> <ul style="list-style-type: none"> Annex 2 – MOCG, Page 25 | |

Recommendation 8.3

| | | | | |
|---|---|-----------|---|--|
| 1 | The company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG). | Compliant | <p><i>Provide link to the company's website where the Manual on Corporate Governance is posted.</i></p> | |
| 2 | The company's MCG is submitted to the SEC. | Compliant | <p>The copy of the Manual on Corporate Governance is attached in this document. Please refer to:</p> | |

| | | | | |
|--|--|-----------|--|--|
| 3 | The company's MCG is posted on the company website. | Compliant | <ul style="list-style-type: none">Annex 2 – MOCG | |
| Recommendation 8.4 | | | | |
| 1 | The company's corporate governance policies and practices and all relevant information are disclosed in its Annual Corporate Governance Report (ACGR). | Compliant | <i>Provide link to the company's website where the Annual Corporate Governance Report is posted.</i> | |
| 2 | The company's ACGR is submitted to the SEC. | Compliant | Please refer to: https://www.alfmmutualfunds.com/file-library | |
| 3 | The company's ACGR is posted on the company website. | Compliant | | |
| | | | | |
| Principle 9. STRENGTHENING EXTERNAL AUDITOR'S INDEPENDENCE AND IMPROVING AUDIT QUALITY | | | | |
| The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality. | | | | |
| Recommendation 9.1 | | | | |
| 1 | The Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of external auditors. | Compliant | <i>Provide information or link/reference to a document containing the process for approving and recommending the appointment, reappointment, removal and fees of the company's external auditor.</i> Please refer to: <ul style="list-style-type: none">Annex 1 – SEC 17-A, Page 10Annex 2 – MOCG, Page 22 | |
| 2 | The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and the shareholders/members. | Compliant | <i>Indicate the percentage of shareholders that ratified the appointment, reappointment, removal and fees of the external auditor.</i> Please refer to: <ul style="list-style-type: none">Annex 1 – SEC 17-A, Page 10 to 11Annex 2 – MOCG, Page 20 | |
| 3 | For the removal of external auditor, the reasons for such removal or change are disclosed to the SEC, the shareholders/members, and the public through the company website and required disclosures. | Compliant | <i>Provide information or link/reference to a document containing the company's reason for removal or change of external auditor.</i> Please refer to: <ul style="list-style-type: none">Annex 2 – MOCG, Pages 16 and 22 | |
| Recommendation 9.2 | | | | |
| 1 | The Audit Committee Charter includes the Audit Committee's responsibility on: i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into | Compliant | <i>Provide link/reference to the company's Audit Committee Charter.</i> Please see attached a copy of the Audit Committee Charter as Annex 5. | |

| | | | | |
|---|--|---------------|---|---|
| | consideration relevant Philippine professional and regulatory requirements. | | | |
| 2 | The Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis. | Compliant | | |
| Recommendation 9.3 | | | | |
| 1 | The company discloses the nature of non-audit services performed by its external auditor in the Annual Report to manage potential conflict of interest cases. | Compliant | <p><i>Disclose the nature of non-audit services performed by the external auditor, if any.</i></p> <p>Please refer to:</p> <ul style="list-style-type: none"> Annex 1, SEC 17-A, Page 10 | |
| 2 | The Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity. | Compliant | <p><i>Provide link or reference to guidelines or policies on non-audit services.</i></p> <p>Please refer to:</p> <ul style="list-style-type: none"> Annex 2, MOCG, Page 22 | |
| Principle 10. INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING | | | | |
| The Board should ensure that the company discloses material and reportable non-financial and sustainability issues. | | | | |
| Recommendation 10.1 | | | | |
| 1 | The Board has a clear and focused strategy on the disclosure of non-financial information. | Compliant | <i>Disclose or provide link to the company's policies and practices on the disclosure of non-financial information, including EESG issues.</i> | <p>While the Fund follows the group wide EESG policies, practices and standards of the BPI Group (https://www.bpi.com.ph/about-bpi/investor-relations/integrated-reports), at present, we do not have any disclosure regarding the management of EESG issues. However, the Company acknowledges its importance and potential impact on our stakeholders.</p> <p>Moving forward, the Company is committed to assessing the relevance/applicability of a framework for the management of EESG issues and to provide transparent disclosure in our future reports and communications.</p> |
| 2 | The company discloses to all shareholders/members and other stakeholders the company's strategic and operational objectives with emphasis on the management of environmental, economic, social and governance (EESG) issues of its business which underpin sustainability. | Non-compliant | <i>Provide link or reference to the company's disclosure of strategic and operational objectives, with emphasis on EESG matters.</i> | |

Principle 11. PROMOTING A COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION

The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for an informed decision-making by investors, stakeholders and other interested users.

Recommendation 11.1

| | | | | |
|---|---|-----------|---|--|
| 1 | The company has a website to ensure a comprehensive, cost-efficient, transparent and timely manner of disseminating relevant information to the public. | Compliant | <i>Provide link to the company's website.</i> Please refer to: <ul style="list-style-type: none">• https://www.alfmmutualfunds.com/ | |
|---|---|-----------|---|--|

INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORKS**Principle 12. STRENGTHENING INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS**

To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management system.

Recommendation 12.1

| | | | | |
|---|--|-----------|--|--|
| 1 | The company has an adequate and effective internal control system in the conduct of its business. | Compliant | <i>List quality service programs for the internal audit functions.</i> <i>Indicate frequency of review of the internal control system.</i> The business of the Company is conducted mainly by the Fund Manager who have adequate internal control systems. For the internal control systems of the Fund Manager (BPI Wealth), please refer to: https://www.bpi.com.ph/wealth/assetandwealth/who-we-are/annual-report Furthermore, most of the duties of the Fund are delegated to the Fund Manager who have adequate risk management processes, policies, and procedures; appropriate risk measurement system, prudent risk limits, monitoring and management information system; and comprehensive and effective internal control system and, audit and compliance program. | |
| 2 | The company has an adequate and effective enterprise risk management framework in the conduct of its business. | Compliant | <i>Identify international framework used for Enterprise Risk Management.</i> <i>Provide information or reference to a document containing information on:</i> <ol style="list-style-type: none">1. Company's risk management procedures and processes.2. Key risks the company is currently facing.3. How the company manages the key risks. | |

| | | | | |
|--|---|-----------|---|--|
| | | | <p><i>Indicate frequency of review of the enterprise risk management framework.</i></p> <p>The business of the Company is conducted mainly by the Fund Manager who has an adequate Enterprise Risk Management Framework. For the Enterprise Risk Management Framework of the Fund Manager (BPI Wealth), please refer to:</p> <p>https://www.bpi.com.ph/wealth/assetandwealth/who-we-are/annual-report.</p> <p>Furthermore, most of the duties of the Fund are delegated to the Fund Manager who have adequate risk management processes, policies, and procedures; appropriate risk measurement system, prudent risk limits, monitoring and management information system; and comprehensive and effective internal control system and, audit and compliance program.</p> | |
| Recommendation 12.2 | | | | |
| 1 | The company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations. | Compliant | <p><i>Disclose if the internal audit is in-house or outsourced. If outsourced, identify external firm hired.</i></p> <p>The Company has engaged an external auditor which has issued an unqualified audit opinion for 2023. Please refer to:</p> <ul style="list-style-type: none"> Annex 1 – SEC 17-A, Page 27 | |
| CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS/MEMBERS | | | | |
| Principle 13. PROMOTING SHAREHOLDER/MEMBER RIGHTS | | | | |
| The company should treat all shareholders/members fairly and equitably, and also recognize, protect and facilitate the exercise of their rights. | | | | |
| Recommendation 13.1 | | | | |
| 1 | The Board ensures that basic shareholder/member rights are disclosed in the Manual on Corporate Governance. | Compliant | <p><i>Provide link or reference to the company's Manual on Corporate Governance where shareholders'/members' rights are disclosed.</i></p> <p>Please refer to:</p> <ul style="list-style-type: none"> Annex 2 – MOCG, Page 26 | |
| Recommendation 13.2 | | | | |
| 1 | The Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders'/Members' Meeting with sufficient and relevant information at least twenty-one (21) days before the meeting. | Compliant | <p><i>Indicate the number of days before the annual or special stockholders'/members' meeting when the notice and agenda were sent out.</i></p> <p><i>Provide link to the Agenda included in the company's Information Statement (SEC Form 20-IS).</i></p> | |

| | | | | |
|----------------------------|---|-----------|--|--|
| | | | <p>The Annual Stockholders Meeting was held on July 14, 2023 (Friday) via Zoom at 10:30 a.m. The notice and agenda for the Annual Stockholders Meeting are indicated in the Notice to the stockholders. https://www.alfmmutualfunds.com/page/2023-alfm-mutual-funds-annual-stockholders-meeting</p> <p>Kindly also refer to:</p> <ul style="list-style-type: none"> Annex 2 – MOCG, Page 29 | |
| Recommendation 13.3 | | | | |
| 1 | The Board encourages active shareholder/member participation by making the result of the votes taken during the most recent Annual or Special Shareholders'/Members' Meeting publicly available the next working day. | Compliant | <p><i>Provide information or reference to a document containing all relevant questions raised and answers during the ASM and special meeting and the results of the vote taken during the most recent ASM/SSM.</i></p> <p><i>Provide link to minutes of meeting in the company website.</i></p> | |
| 2 | The minutes of the Annual and Special Shareholders'/Members' Meetings were made available on the company website within five (5) business days from the date of the meeting. | Compliant | <p><i>Indicate voting results for all agenda items, including the approving, dissenting and abstaining votes.</i></p> <p><i>Indicate also if the voting on resolutions was by poll.</i></p> <p><i>Include whether there was opportunity to ask question and the answers given, if any.</i></p> <p>The minutes of the Annual Stockholders Meeting (ASM) are made available on the website after the ASM and are removed before the following ASM.</p> <p>Stockholders voted in person or through proxy through designed forms submitted through mail, email/electronic means or faxpro. The preliminary results of the voting tickets were validated on July 13, 2023 and were presented during the Annual Stockholders Meeting.</p> <p>The results were reflected in the minutes of the meeting.</p> | |
| Recommendation 13.4 | | | | |
| 1 | The Board makes available, at the option of a shareholder/member, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner. | Compliant | <p><i>Provide details of the alternative dispute resolution made available to resolve intra-corporate disputes.</i></p> <p><i>Provide link/reference to where it is found in the Manual on Corporate Governance.</i></p> <p>Please refer to:</p> <ul style="list-style-type: none"> Annex 2 – MOCG, Page 28 | |
| Recommendation 13.5 | | | | |

| | | | | |
|---|--|-----------|--|--|
| 1 | The Board establishes an Investor Relations Office (IRO) or Customer Relations Office (CRO) or its equivalent to ensure constant engagement with its shareholders/members. | Compliant | <p><i>Disclose the contact details of the officer/office responsible for investor relations, such as:</i></p> <ol style="list-style-type: none"> 1. Name of the person 2. Telephone number 3. Fax number 4. E-mail address <p>For inquiries, investors may contact the principal distributor at bpi.investment@bpi.com.ph</p> | |
| 2 | The IRO or CRO or its equivalent is present at every shareholders'/members' meeting. | Compliant | <p><i>Indicate if the IRO or CRO or its equivalent was present during the ASM.</i></p> <p>Senior officers of the fund manager and principal distributor attended the Annual Stockholder Meeting for this Fund on July 14, 2023.</p> | |

DUTIES TO STAKEHOLDERS

Principle 14. RESPECTING RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDER'S RIGHTS

The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

Recommendation 14.1

| | | | | |
|---|--|-----------|---|--|
| 1 | The Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability. | Compliant | <p><i>Identify the company's stakeholders and provide information or reference to a document containing the company's policies and programs for its stakeholders.</i></p> <p>Please refer to:</p> <ul style="list-style-type: none"> • Annex 2 – MOCG, Page 29 | |
|---|--|-----------|---|--|

Recommendation 14.2

| | | | | |
|---|---|-----------|--|--|
| 1 | The Board establishes clear policies and programs to provide a mechanism on the fair treatment, protection and enforcement of the rights of stakeholders. | Compliant | <p><i>Identify policies and programs for the protection, fair treatment and enforcement of the rights of the company's stakeholders.</i></p> <p>Please refer to:</p> <ul style="list-style-type: none"> • Annex 2 – MOCG, Page 29 | |
|---|---|-----------|--|--|

Principle 15. ENCOURAGING EMPLOYEES' PARTICIPATION

A mechanism for employee participation should be developed to create a symbiotic working environment consistent with the realization of the company's objectives and good corporate governance goals.

Recommendation 15.1

| | | | | |
|---|---|-----------|---|--|
| 1 | The Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance. | Compliant | <p><i>Provide information or link/reference to company policies, programs and procedures that encourage employee participation.</i></p> | |
|---|---|-----------|---|--|

| | | | | |
|---|--|-----------|---|--|
| | | | Due to the Investment Fund's structure, where the Fund does not employ any personnel and all daily transactions are handled by the Fund Manager and Distributor, the policies on employee participation in the realization of the goals of the Fund Manager and Distributor encompass the necessary policies. | |
| Recommendation 15.2 | | | | |
| 1 | The Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Business Conduct and Ethics. | Compliant | <i>Identify or provide link/reference to the company's policies, programs, and practices against corruption.</i> | |
| 2 | The Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture. | Compliant | <i>Identify how the board disseminated the policy and program to the employees across the organization.</i> The Fund follows the BPI Group Code of Business Conduct and Ethics (includes anti-bribery, anti-corruption, and conflict of interest). The Code is applicable to and mandatory for all employees of the BPI group. Please refer to the link below for the 2023 BPI Integrated Reports, page 121. <ul style="list-style-type: none"> • https://www.bpi.com.ph/about-bpi/investor-relations/integrated-reports | |
| Recommendation 15.3 | | | | |
| 1 | The Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation. | Compliant | <i>Disclose or provide link/reference to the company whistleblowing policy and procedure for employees.</i> <i>Indicate if the framework includes procedures to protect the employees from retaliation.</i> | |
| 2 | The Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. | Compliant | <i>Provide contact details to report any illegal or unethical behavior.</i> <i>Provide information on how the board supervised and ensured enforcement of the whistleblowing framework, including any incident of whistleblowing.</i> | |
| 3 | The Board supervises and ensures the enforcement of the whistleblowing framework. | Compliant | The Fund follows the BPI Group Code of Business Conduct and Ethics, which covers the policy on whistleblowing. The Code is applicable to and mandatory for all employees of the BPI group. Please refer to the link below for the 2023 BPI Integrated Reports, page 121. <ul style="list-style-type: none"> • https://www.bpi.com.ph/about-bpi/investor-relations/integrated-reports | |
| Principle 16. ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY | | | | |

The company should be socially responsible in all its dealings with the communities in which it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

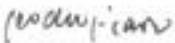
Recommendation 16.1

| | | | | |
|---|---|-----------|---|--|
| 1 | The company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates. | Compliant | <i>Provide information or reference to a document containing the company's community involvement and environment-related programs.</i> Please refer to: <ul style="list-style-type: none">Annex 2 – MOCG, Page 4 | |
|---|---|-----------|---|--|

CERTIFICATION


The undersigned certify that the responses and explanations set forth in the above **ALFM Peso Bond Fund Inc. Integrated Annual Corporate Governance Report** covering 2023 are true, complete, and correct of our own personal knowledge and/or based on authentic records.


Signed in the City of **MAKATI CITY** on the **JUN 28 2024** day of _____
20_____.

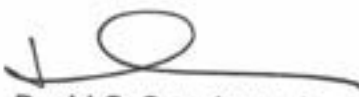

Jose Teodoro K. Limcaoco
Chairman of the Board

DocuSigned by:

Raymund Martin T. Miranda
Independent Director


Atty. Sabino B. Padilla IV
Corporate Secretary


Simon R. Paterno
President & CEO



David G. Sarmiento Jr.
Independent Director


Hany Mae V. Dureza
Compliance Officer

SUBSCRIBED AND SWORN to before me this **JUN 28 2024** day of _____, 20____, by the following who are also personally known to me (or whom I have identified through competent evidence of identity) and who exhibited their respective identification document as follows:

| Name | Competent Evidence of Identity | Date/Place Issued |
|----------------------------|--------------------------------|-------------------|
| Jose Teodoro K. Limcaoco | TIN 135-554-880 | |
| Simon R. Paterno | TIN 203-010-472 | |
| Raymund Martin T. Miranda | TIN 108-725-990 | |
| David G. Sarmiento Jr. | TIN 135-584-003 | |
| Atty. Sabino B. Padilla IV | TIN 113-255-561 | |
| Hany Mae V. Dureza | Passport P9201603B | DFA NCR East |

Doc. No. 811
Page No. 44
Book No. 14
Series of 2024


ATTY. JOEL FERRER FLORES
Notary Public for Makati City
Until December 31, 2024
Appointment No. M-115 (2023-2024)
Roll Of Attorney No. 77376
MCLE Compliance Vail No. 0001393-
Jan. 3, 2023 until Apr. 12, 2028
PTR NO. 10073945/ Jan. 2, 2024/ Makati City
IBP No. 330740/ Jan. 2, 2024/ Pasig City
1107 Bataan St., Guadalupe Nuevo, Makati City

COVER SHEET

A 1 9 9 7 1 2 8 0 6

S.E.C. Registration Number

A L F M P E S O B O N D F U N D
I N C O R P O R A T E D
F o r m e r l y A Y A L A L I F E F I X E D
I N C O M E F U N D I N C .

(Company's Full Name)

7 / F B P I B U E N D I A C E N T E R
S E N . G I L J . P U Y A T A V E .
M A K A T I C I T Y

(Business Address: No., Street, City / Town / Province)

Bhona Jane G. Nacar
Contact Person

(632) 8580-3575
Company Telephone Number

1 2 3 1
Month Day
Fiscal Year

17-A
FORM TYPE

Month Day
Annual Meeting

N / A
Secondary License Type, If Applicable

C G F D
Dept. Requiring this Doc.

Amended Articles / Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A, AS AMENDED**

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **December 31, 2023**
2. SEC Identification Number **A1997-12806**
3. BIR Tax Identification No. **201-184-505**
4. Exact name of issuer as specified in its charter **ALFM PESO BOND FUND, INC.**
5. **Metro Manila, Philippines**
Province, Country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **7/F, BPI BUENDIA CENTER, SEN. GIL J. PUYAT AVE., MAKATI CITY** **1209**
Address of principal office Postal Code
8. **(632) 8580-0900**
Issuer's telephone number, including area code
9. **N/A**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding as of December 31, 2023 |
|---------------------|---|
|---------------------|---|

| | |
|--------------------------|--------------------------|
| COMMON SHARES "A" | 93,769,170 shares |
|--------------------------|--------------------------|

11. Are any or all of these securities listed on a Stock Exchange.

Yes [] No [X]

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [X] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [X] No []

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common

stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

PhP 36,623,612 (NAVPs of PhP390.57 and **93,769,170** outstanding shares as of 31 December 2023)

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.
N/A

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents is incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

Audited Financial Statements attached herewith

(b) Any information statement filed pursuant to SRC Rule 20

NONE

(c) Any prospectus filed pursuant to SRC Rule 8.1

NONE

MANAGEMENT REPORT

PART I - BUSINESS AND GENERAL INFORMATION

DESCRIPTION OF THE BUSINESS

1. Business Development

ALFM Peso Bond Fund, Inc. ("ALFM" or the "Fund") is an open-end investment company incorporated on 18 July 1997 (originally as Ayala Life Filipino Income Fund, Inc.) with an initial authorized capitalization of PhP200,000,000 consisting of 200,000,000 common and voting shares of par value PhP1.00 per share. It was registered with the Securities and Exchange Commission under the Investment Company Act of 1960 or Republic Act No. 2629 and the Revised Securities Act or Batas Pambansa Blg. 178 on 8 May 1998. On 21 August 1998, the SEC approved the amendment in the Fund's Articles of Incorporation which changed its name to Ayala Life Fixed Income Fund, Inc. and effected an increase in the Fund's authorized capital stock to PhP1Bn. The Fund further increased its authorized capitalization to PhP2Bn and PhP5Bn in 1999 and 2000, respectively. In 2002, a total of 70 million additional shares was made available by the Fund bringing its total capitalization to PhP12Bn. With the SEC's approval of an additional 50 million shares last 17 October 2003, the Fund's authorized capital stock stood at PhP17Bn as of year-end 2003. The Fund increased authorized capital three times in 2005. The first increase was from PhP17Bn to PhP20Bn approved on 18 April 2005. The second was from PhP20Bn to PhP26.8Bn approved on 2 September 2005 and finally from PhP26.8Bn to PhP34Bn approved on 17 October 2005. During the Stockholders' meeting on November 16, 2006, the Stockholders approved the proposed increase in Authorized Capital Stock from PhP 34 Billion (divided into 340 Million shares of PhP 100.00 par each) to PhP 100 Billion (divided into 1 Billion shares of PhP 100.00 par each), and to be implemented in tranches. Last February 26, 2007, the Securities and Exchange Commission, approved the change in corporate name of Ayala Life Fixed Income Fund, Inc. to ALFM Peso Bond Fund, Inc. On August 15, 2014, the SEC approved the increase in ACS from PhP 34 Billion (divided into 340 Million shares of PhP 100.00 par each) to PhP 40 Billion (divided into 400 Million shares of PhP 100.00 par each).

The investment objective of the Fund is to generate a steady stream of income through investments in a diversified portfolio composed primarily of peso-denominated high-grade fixed income securities. ALFM Peso Bond Fund may be classified as a moderately conservative investment which shall best cater to investors who seek a relatively stable return on investment that is slightly higher than traditional term deposit and who are willing to take minor negative fluctuations in returns.

The Fund has entered into an Investment Management Agreement with BPI Investment Management, Inc., and as such, has authorized the Investment Manager to purchase and otherwise make or dispose of investments for the account of the Fund, within the limits of the guidelines set by law and the SEC regulations, and within the established investment policy of the Fund. With no business subsidiaries, the Fund's risks are limited to its own operations. To mitigate these, the Fund follows strict compliance to its established Corporate Governance policies and procedures. Monthly reporting of the Fund's operations to the Board of Directors is also being instituted to properly identify, assess and manage risk that may arise anytime during the Fund's daily operations.

BPI Investment Management, Inc. ("BPI Investment") shall act as the Fund's Investment Manager and, as such, is tasked to formulate and implement the investment strategy of the Fund, and to provide and render management and technical services to prospective investors. BPI Investment, a wholly-owned subsidiary of the Bank of the Philippine Islands, was incorporated in 1974 to principally engage in the business of managing an investment company. BPI Investment is licensed by the SEC to act as fund manager (or "investment company adviser") as well as a distributor of mutual funds. BPI Investment shall also provide transfer agency services including the maintenance of the official stock and transfer book of the Fund, the issuance of shareholders' Transaction Advice, and payment of dividends, if any. BPI Investment shall also act as the Fund's Investment Advisor and is tasked to render services which include investment research and advice; the preparation of economic, industry, market, corporate, and security analyses; and assistance and recommendations in the formulation of investment guidelines. For its services, the Fund Manager shall charge a fee of not more than 1.00% per annum of the Fund's average daily trading NAV.

Effective April 1, 2023, BPI Investment Management, Inc. (BIMI), wholly-owned subsidiary of Bank of the Philippine Islands (BPI) assigned all its right, interests, and obligations as fund manager, advisor of the Fund to BPI Wealth - A Trust Corporation (BPI Wealth), a wholly-owned subsidiary of Bank of the Philippine Islands (BPI). Henceforth, the management functions are performed by BPI Wealth over the Fund. Services, contracts and agreements are in force with BPI Wealth.

The Fund has appointed BPI Investment Management, Inc. (BIMI) as principal distributor with the authority to appoint sub-distributors on behalf of the fund. Under the terms of the agreement, BIMI and/or its sub-distributors perform daily functions related to the marketing and the growth of the level of assets of the Fund.

BPI Asset Management and Trust Corporation (the "Company" or "BPI AMTC") is a wholly-owned subsidiary of Bank of the Philippine Island (BPI), a domestic commercial bank with an expanded banking license in the Philippines. It was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 6, 2016 primarily to carry and engage in the business of trust, other fiduciary business and investment management business which may legally be had or done by trust corporations organized under and in accordance with Republic Act No. 8791 (The General Banking Law of 2000) and its implementing regulations as it exists or may be amended and to do all other things incident thereto and necessary and proper in connection with said purposes within such territory, as may be determined by the Monetary Board of the Bangko Sentral ng Pilipinas (BSP). The corresponding Certificate of Authority to Operate was issued by the BSP to the Company on December 29, 2016.

In February 2023, the Company 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's Shares shall be made available to the public primarily through the Fund's authorized distributors, AB CAPITAL SECURITIES, INC., AFFINITY CAPITAL CORP., BANK OF THE PHILIPPINE ISLANDS, BDO SECURITIES CORP., BPI CAPITAL CORP., BPI INVESTMENT MANAGEMENT INC., COL FINANCIAL GROUP, FIRST METRO SECURITIES BROKERAGE CORP., INVESTA FINANCIAL, INC., NOVEL SECURITIES, INC., RAMPVER FINANCIALS, INC., UNICAPITAL SECURITIES, INC.,

UNIONBANK FINANCIAL SERVICES AND INSURANCE BROKERAGE, INC., WEALTH SECURITIES, INC. as well as other authorized and accredited distribution firms. The foregoing companies were licensed by the Securities and Exchange Commission to distribute mutual fund securities to the public.

Sales Agents of the Fund's Distributors shall be entitled to collect a front-end Sales Load, based on each amount invested by an applicant or Shareholder in the Fund, in such percentages but not exceeding 1.50%.

ALFM Peso, as an investment company, will be regularly dealing with the following principal parties, among others, as follows:

Fund Manager and Investment Advisor: BPI Wealth - A Trust Corporation.

Fund Distributors:

AB CAPITAL SECURITIES, INC.
AFFINITY CAPITAL CORP.
BANK OF THE PHILIPPINE ISLANDS
BDO SECURITIES CORP.
BPI CAPITAL CORP.
BPI INVESTMENT MANAGEMENT INC.
COL FINANCIAL GROUP
FIRST METRO SECURITIES BROKERAGE CORP.
INVESTA FINANCIAL, INC.
NOVEL SECURITIES, INC.
RAMPVER FINANCIALS, INC.
UNICAPITAL SECURITIES, INC.
UNIONBANK FINANCIAL SERVICES
AND INSURANCE BROKERAGE, INC.
WEALTH SECURITIES, INC.

Risk Factors and Investment Considerations

The NAV of the Fund may fluctuate due to changes in the market values of the Fund's investments. Such changes in market value may be attributable to various factors such as:

A. Factors External to the Fund, listed in the order of importance:

- 1) Market Risk - the risk that movement in the financial markets will adversely affect the value of investments of the Fund. To properly manage market risk, various risk measurement methodologies are utilized to quantify the potential change in portfolio value resulting from changes in security prices. Measures of risk-adjusted performance are also utilized. Market risk is controlled through the establishment of investment limits and by managing the fund according to investment guidelines and parameters that are consistent with its return objective and risk profile.
- 2) Interest Rate Risk - the risk that the value of the portfolio will decline as interest rates rise. Bond prices are inversely related to interest rates (ie. as interest rates increase, bond prices decrease). Interest rate risk is measured using duration and controlled through duration limits. To mitigate this risk, the Fund Manager closely monitors movements in interest rates.
- 3) Liquidity Risk - the risk that the investments of the Fund cannot be sold or converted into cash within a reasonable time or in instances where sale or conversion is possible but not at a fair price. A liquidity contingency plan, which provides a framework for addressing liquidity crisis situations, is in place.
- 4) Credit Risk - the risk that the bond issuer may not be able to pay its debt when interest payments and maturity falls due. Credit risk is minimized through diversification. Investment and counterparty limits are also established and monitored regularly. All investment outlets and counterparties go through accreditation prior to the execution of investment transactions.

- 5) Inflation Risk - the risk that the return of your investments will not keep in pace with the increase in consumer prices. To mitigate inflation risk, the Fund Manager closely monitors inflation.
- 6) Reinvestment Risk - the risk associated with the possibility of having lower return when maturing securities or the interest earnings of funds are re-invested. To mitigate reinvestment risk, the Fund Manager closely monitors interest rate trends so as to re-invest at higher interest rates.
- 7) Foreign Exchange Risk - this is the possibility for an investor to experience losses from a decline in fund value when the market value of fixed income securities, settled in any other currency, held by the fund are converted/translated to Philippine Peso. To mitigate foreign exchange risk, the fund manager closely monitors the movements in the spot market.

B. Risks Inherent to the Fund, listed in the order of importance:

- 1) Investors in an open-end fund are exposed to the risk of dilution, since other investors are allowed to purchase shares and/or redeem their entire holdings any time. Given this inherent risk, the Fund Manager tries to lessen the frequency of withdrawals by imposing an early redemption fee for investors who redeem from the Fund during the stipulated minimum holding period. By doing this, investors are discouraged to redeem during the minimum holding period, thereby allowing the Fund Manager to maximize the investments during the said period.
- 2) Unlike closed-end funds, the investment potential and capability of the Fund is limited by liquidity constraints as the Fund Manager should always ensure that there are sufficient liquid assets to service redemptions at any given time.
- 3) Unlike bank accounts, investment companies / mutual funds are neither insured with the PDIC nor any other agency of the government, nor guaranteed by the Fund Manager. Before investing in the Fund, investors are expected to understand that the Fund is not a bank deposit product and any income, or loss, shall be for the account of the investor. Investors are advised to read the Prospectus of the Fund, which may be obtained from authorized distributors, before deciding to invest. The Fund is registered with the Securities and Exchange Commission.
- 4) Mutual funds are subject to "manager risk," which is the potential for a fund to fail to achieve its objectives due to investment decisions by the Fund Manager, caused by the Fund Manager's ability, or failure, to "read the market" accurately. To mitigate this risk, the Fund Manager employs a thorough investment process, considering macroeconomic factors and integrating them in asset allocation models to optimize the return of the portfolio. The Fund Manager likewise keeps abreast of current market conditions through various trainings and seminars on fund management techniques as well as close coordination with various counterparties and regulators.

2. *Distribution methods of the products or services*

ALFM Peso is being distributed by SEC Certified Investment Solicitors (CISols) of BPI Capital Corporation, BPI Investment, COL Financial Group, Inc., First Metro Securities Brokerage Corporation, Wealth Securities, Inc., Unicapital Securities, Inc., Affinity Capital Corp., AB Capital Securities, Inc., Bank of the Philippines Islands, BDO Securities Corp., Investa Financial, Inc., Novel Securities, Inc., Unionbank Financial Services and Insurance Brokerage, Inc. and Rampver Financials. ALFM Peso is sold to a wide investor base composed of individuals and corporations, which seek a steady fixed-income stream from a portfolio of high quality fixed income securities.

3. *Competition*

As of December 2023, the size of the local mutual fund industry stood at PhP 36.83 Billion in Net Assets. The ALFM Peso Bond Fund dominates other Peso denominated Bond Funds with 72.1% of the PhP 61.16 Billion industry. Its main competitors in the bond fund category are Philam Bond Fund and Sun Life Prosperity Bond Fund. ALFM is sold to a wide investor base composed of individuals and corporations

who seek a steady stream of income through investments in a diversified portfolio of high-grade peso-denominated fixed income instruments.

Being managed by BPI Wealth, ALFM can effectively compete with other investment companies as it is backed up by an investment philosophy anchored on prudence, conservatism, technical expertise and know-how all aimed at providing a successful maximization of returns while minimizing associated risks. With unsurpassed financial perspective and investment experience, BPI Wealth is positioned to provide ALFM with a well-balanced assessment of opportunities and risks. ALFM has been providing investors with competitive returns that outperform its benchmark without compromising asset quality, making it an attractive investment choice of its client base.

4. *Effect of existing or probable governmental regulations on the business.*

ALFM Peso believes that government regulations are intended to strengthen the industry for the benefit of the investing public and will, thus, comply with the regulations imposed as may be instituted by the regulatory authorities.

5. *Number of employees*

ALFM Peso does not have employees of its own since management and administrative operations of the Fund are already being handled by its Investment Manager and Service Administrator, BPI Wealth – A Trust Corporation.

PROPERTIES

ALFM Peso does not own any property described under Annex C of SRC Rule 12 such as real estate, plant and equipment, mines, patents, etc.

LEGAL PROCEEDINGS

The Fund is not aware of any pending legal proceedings to which it is a party.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

1. Market Information

| Market Price (NAVPS in Pesos) | 2013 | 2012 | 2011 | 2010 | 2009 |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Quarter ending March 31 | 315.95 | 286.81 | 264.41 | 246.01 | 235.35 |
| Quarter ending June 30 | 316.65 | 288.22 | 267.18 | 249.35 | 237.93 |
| Quarter ending September 30 | 313.97 | 293.93 | 272.61 | 259.20 | 240.61 |
| Quarter ending December 31 | 313.86 | 299.89 | 283.25 | 265.21 | 243.26 |
| Market Price (NAVPS in Pesos) | 2018 | 2017 | 2016 | 2015 | 2014 |
| Quarter ending March 31 | 337.83 | 331.33 | 326.04 | 321.80 | 313.51 |
| Quarter ending June 30 | 338.54 | 333.89 | 330.15 | 322.67 | 314.06 |
| Quarter ending September 30 | 341.64 | 336.54 | 331.09 | 323.91 | 316.74 |
| Quarter ending December 31 | 343.47 | 337.11 | 329.84 | 322.84 | 319.25 |

| Market Price (NAVPS in Pesos) | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------------------|--------|--------|--------|--------|--------|
| Quarter ending March 31 | 347.15 | 360.52 | 369.89 | 373.87 | 380.95 |
| Quarter ending June 30 | 350.30 | 365.87 | 372.37 | 373.04 | 383.88 |
| Quarter ending September 30 | 354.50 | 368.13 | 373.11 | 375.23 | 386.59 |
| Quarter ending December 31 | 357.94 | 371.12 | 374.34 | 377.79 | 390.57 |

Source: Daily Price and NAVPS schedule

Stated below are the High and Low Net Asset Value Per Share (NAVPS) for each quarter from 2009 to 2023.

| | | 2013 | | 2012 | | 2011 | | 2010 | | 2009 | |
|---------|------|----------|--------|----------|--------|----------|--------|----------|--------|----------|--------|
| Jan-Mar | high | 03/31/13 | 315.95 | 02/19/12 | 289.09 | 01/05/11 | 265.64 | 03/31/10 | 246.01 | 03/27/09 | 235.46 |
| | low | 01/01/13 | 299.92 | 01/03/12 | 282.40 | 02/17/11 | 262.49 | 01/04/10 | 243.26 | 01/05/09 | 232.39 |
| Apr-Jun | high | 05/26/13 | 322.69 | 06/30/12 | 288.22 | 06/30/11 | 267.18 | 06/29/10 | 249.32 | 06/01/09 | 237.89 |
| | low | 04/11/13 | 315.81 | 05/20/12 | 285.51 | 04/01/11 | 264.41 | 04/06/10 | 246.08 | 04/01/09 | 235.36 |
| Jul-Sep | high | 08/15/13 | 317.34 | 09/30/12 | 293.93 | 09/13/11 | 273.30 | 09/30/10 | 259.20 | 09/30/09 | 240.58 |
| | low | 09/27/13 | 313.50 | 07/01/12 | 288.25 | 07/02/11 | 266.84 | 07/01/10 | 249.40 | 07/01/09 | 237.93 |
| Oct-Dec | high | 11/07/13 | 316.17 | 12/10/12 | 300.07 | 12/21/11 | 283.44 | 12/29/10 | 265.31 | 12/21/09 | 243.01 |
| | low | 12/17/13 | 313.00 | 10/09/12 | 293.59 | 10/05/11 | 272.49 | 10/01/10 | 259.19 | 10/06/09 | 239.74 |

| | | 2018 | | 2017 | | 2016 | | 2015 | | 2014 | |
|---------|------|----------------------------|--------|---------------------------|--------|----------|--------|-----------------------------|--------|----------|--------|
| Jan-Mar | high | 03/28/18 | 337.75 | 03/21/17 | 331.58 | 03/30/16 | 326.30 | 02/05/15 | 321.96 | 03/18/14 | 313.98 |
| | low | 01/08/18 | 336.99 | 01/03/17 | 329.40 | 01/04/16 | 322.39 | 01/05/15 | 319.30 | 02/13/14 | 310.35 |
| Apr-Jun | high | 05/31/18 | 338.74 | 06/30/17 | 333.89 | 06/29/16 | 330.38 | 06/24/15 and 06/29/15 | 322.79 | 05/30/14 | 314.63 |
| | low | 04/02/18 | 337.74 | 04/04/17 | 331.18 | 04/12/16 | 325.70 | 05/04/15 | 320.81 | 05/05/14 | 312.57 |
| Jul-Sep | high | 09/28/18 | 341.58 | 09/29/17 | 336.52 | 09/09/16 | 331.57 | 08/11/15 | 324.16 | 09/30/14 | 316.74 |
| | low | 07/03/18 | 338.67 | 07/03/17 & 07/03/17 | 333.70 | 07/01/16 | 329.93 | 07/02/15 | 322.50 | 07/02/14 | 313.93 |
| Oct-Dec | high | 12/26/18 to 12/28/18 | 343.38 | 12/29/17 | 337.07 | 10/03/16 | 331.45 | 10/28/15 | 324.10 | 12/31/14 | 319.25 |
| | low | 10/19/18 | 341.24 | 11/10/17 | 335.74 | 11/25/16 | 328.12 | 12/10/15 | 322.18 | 10/01/14 | 316.83 |

| | | 2023 | | 2022 | | 2021 | | 2020 | | 2019 | |
|---------|------|----------|--------|----------|--------|----------|--------|----------|--------|-----------------------------|--------|
| Jan-Mar | high | 03/30/23 | 381.02 | 12/29/22 | 377.73 | 02/11/21 | 371.8 | 03/11/20 | 360.54 | 03/29/19 | 347.08 |
| | low | 01/03/23 | 377.73 | 03/23/22 | 373.66 | 03/26/21 | 369.69 | 01/06/20 | 357.90 | 01/02/19 | 343.48 |
| Apr-Jun | high | 06/26/23 | 383.95 | 04/11/22 | 373.87 | 06/29/21 | 372.37 | 06/30/20 | 365.87 | 06/28/19 | 350.24 |
| | low | 04/01/23 | 380.97 | 06/15/22 | 371.98 | 04/08/21 | 369.88 | 04/02/20 | 360.44 | 04/02/19 | 347.24 |
| Jul-Sep | high | 09/27/23 | 386.66 | 08/16/22 | 375.89 | 09/21/21 | 373.64 | 08/24/20 | 368.39 | 09/30/19 | 354.49 |
| | low | 07/10/23 | 383.72 | 07/01/22 | 373.11 | 07/14/21 | 372.32 | 07/01/20 | 366.03 | 07/01/19 and 07/03/19 | 350.32 |
| Oct-Dec | high | 12/31/23 | 390.57 | 12/29/22 | 377.73 | 12/23/21 | 374.56 | 12/23/20 | 371.23 | 12/26/19 | 357.83 |
| | low | 10/01/23 | 386.62 | 10/06/22 | 375.04 | 10/15/21 | 372.13 | 10/01/20 | 368.33 | 10/01/19 | 354.47 |

ALFM's shares are unlisted and as such are not traded in any exchange. The shares are being sold by SEC Certified Investment Solicitors (CISols) thru ALFM's authorized distributors enumerated under Distribution Methods of this report.

2. Dividends

- The Fund has not issued any cash dividends since inception.
- Declaration of cash dividends is limited to the declaration made by the Board of Directors subject to the restriction that no dividends will be declared that will impair the capital stock of the company.

3. Number of holders

ALFM Peso has a total of 23,612 security holders as of the 31 December 2023. The corporation has only one class of common stock.

4. Institutional and retail investors

The table below shows the Fund's total number of institutional and retail investors and the percentage of their investments as of December 31, 2023.

| ALFM Peso Bond Fund | Retail | Institutional |
|----------------------------|---------------|----------------------|
| Number of investors | 23,092 | 520 |
| Percentage of investments | 57.35% | 42.65% |

5. Geographic concentration of investments

The geographic concentration of investments as of December 31, 2023 is as follows: Luzon (88.59%), Visayas (5.29%), and Mindanao (6.12%).

6. Investment company return information

Stated below is the Fund's return in the last five (5) recently completed fiscal years.

| ALFM Peso Bond Fund | | | | |
|----------------------------|-------------|-------------|-------------|-------------|
| 2019 | 2020 | 2021 | 2022 | 2023 |
| 2.61 | 2.21 | 1.72 | 2.14 | 3.38 |

7. Recent Sales of Unregistered or Exempt Securities Including Recent Issuances of Securities Constituting an Exempt Transaction

Not applicable.

MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

AS OF DECEMBER 31, 2023

Peso Fixed Income

In 2023, domestic fixed income returned positively with the local currency bond index gaining 8.24%. This was boosted by falling bond yields after local inflation eased from the 8.7% peak in January. While we saw a rebound in the third quarter, inflation decelerated to 3.9% in December amid cooling prices of food and utilities. This settled within the Bangko Sentral ng Pilipinas' (BSP) target range of 2-4% for the first time since March 2022. Following a 100-bp hike made over the course of the year, the continued decline in inflation allowed the BSP to keep the policy rate steady at 6.5% during the December monetary policy meeting.

Moving forward, inflation is expected to continue trending lower with the BSP forecasting inflation to average 3.7% in 2024 from 6.0% in 2023. Moreover, the US Federal Reserve signaled that it could start easing monetary policy in 2024. These tailwinds may enable the BSP to gradually cut rates in the second half. However, we remain watchful of upside risks to inflation such as the impact of El Niño phenomenon on agricultural product prices including rice, global oil price volatility, transport fare hikes, power rate upward adjustments, and above-average wage increases. In line with this, BSP Governor Remolona signaled that the BSP will likely keep the policy rate tight until inflation firmly falls within target.

Given the favorable inflation outlook and attractive bond yields compared to historical averages, we still see opportunity to invest in fixed income. We believe investors are well positioned to augment their portfolio

by adding duration to their fixed income holdings. This provides an opportunity to lock in the elevated yields and capitalize on the potential marked-to-market gains once the central bank cut rates. Despite the potential short-term risks to the inflation outlook, we see inflation moderating over the medium term as global economic growth slows and as the delayed impact of tight monetary policy takes effect.

For 2024, expect ALFM Peso's priority to give investors a consistent, stable return that is true to its investment objective. The Fund will take advantage of the high interest rate environment by locking in yields at current levels. The fund manager is looking to gradually add duration with the outlook of eventual normalization of yields lower when inflation moves back to target and the BSP starts cutting policy rates. Long-term investors will get the full reward of investing and shareholders should be prepared to withstand short term volatility.

Top Five Key Performance Indicators

- a) *Performance vis-à-vis the Benchmark* – ALFM Peso Bond Fund is an actively managed bond fund whose objective is long-term capital appreciation through investments in a diversified portfolio composed of high-grade fixed-income investment instruments. The Fund aims to outperform its benchmark on a year-on-year basis. The Fund's return on investment (ROI) for full year 2023 was recorded at 3.38% net of fees and taxes, below its benchmark return of 4.65%. Stability of return is prioritized to shelter investors from any market volatility.
- b) *Market Share in the Industry* – The Fund is expected to continue to strengthen its presence in the industry. The Peso Bond Mutual Fund industry has three major players in terms of Net Asset Value: ALFM Peso Bond Fund, Sun Life Prosperity Bond Fund, and PhilAm Bond Fund. As of end -2023, ALFM Peso Bond Fund maintained its market dominance having majority (72.9%) of market share. Sun Life Prosperity Bond Fund was second at 11.8%, while PhilAm Bond Fund remains third with 3.2% market share.
- c) *NAV Growth vis-à-vis Industry Growth* – The Fund's average daily NAV for 2023 was at PHP 38.28 Billion. The peso bond fund industry declined by 2.57% in terms of total net asset value or PHP 1.6 Billion. ALFM Peso's NAV declined slightly by PhP 173 Million or declined by 0.27% year-on-year.
- d) *Portfolio Quality* – The Fund's portfolio should, at all times, adhere to the investment parameters as indicated in the Fund's prospectus. The Fund continued to remain well diversified in 2023 with 32.6% of the Fund's portfolio invested in government securities, 62.8% in corporate securities, and 4.6% in cash and cash equivalents.
- e) *Performance vis-a-vis Competition* - The Fund's performance is also compared against the performance of other players in the market. As of December 2023, ALFM Peso Bond Fund ranked seventh among ten mutual bond fund competitors in terms of one-year absolute returns.

AS OF DECEMBER 31, 2022

The Philippine economy posted a robust 7.6% year-on-year growth in 2022 as post-pandemic reopening activities continued to drive consumer and business spending. The figure was higher than the government's target range of 6.5%-7.5% for the year. On the other hand, local inflation continued to accelerate, clocking in as high as 8.1% year-on-year in December as supply-side pressures persisted. Elevated prices, along with various global monetary policy tightening actions, drove the Bangko Sentral ng Pilipinas (BSP) to announce an off-cycle 75-basis point hike mid-year. In 2022, the BSP raised rates by a total of 350 basis points.

The prospect of a prolonged high-inflation environment drove yields higher across the curve in 2022, particularly on the short-end. Year-on-year, the yield on the 1-year rose by about 355 basis points to 5.21%, the 5-year yield rose by about 227 basis points to 6.47%, while the yields on 6-10-year securities rose by about 208 basis points on average. 2022 was thus another challenging year for fixed income markets.

For 2023, we expect Philippine economic growth to moderate slightly as prolonged elevated price levels limit spending. The BSP will likely consider economic data, particularly inflation, and will continue to

monitor for signs of over-heating. They have continuously reiterated that they are prepared to step in and utilize their monetary policy tools as needed.

Thus, for 2023 ALFM Peso Bond Fund will be positioned as slightly underweight versus neutral in terms of duration due to expectations of higher inflation. Since ALFM Peso Bond Fund is positioned as a medium-term bond fund, shareholders will get the full reward of investing for the long term and should be prepared to withstand some expected volatility.

Top Five Key Performance Indicators

- 1.) *Performance vis-à-vis the Benchmark* – ALFM Peso Bond Fund is an actively managed bond fund whose objective is long-term capital appreciation through investments in a diversified portfolio composed of high-grade fixed-income investment instruments. The Fund aims to outperform its benchmark on a year-on-year basis. The Fund's return on investment (ROI) for full year 2022 was recorded 0.91% net of fees and taxes, slightly behind its benchmark return of 0.94%.
- 2.) *Market Share in the Industry* – The Fund is expected to continue to strengthen its presence in the industry. The Peso Bond Mutual Fund industry has three major players in terms of Net Asset Value: ALFM Peso Bond Fund, Sun Life Prosperity Bond Fund and PhilAm Bond Fund. As of end-2022, ALFM Peso Bond Fund maintained its market dominance having majority (77.5%) of market share. Sunlife Prosperity Bond Fund was second at 8.7% while the balance is spread out amongst 9 other bond funds.
- 3.) *NAV Growth vis-à-vis Industry Growth* – The Fund's average daily NAV for 2022 was at PHP 41.856 Billion. The peso bond fund industry declined by 16% in terms of total net asset value or PHP 9.8 Billion. ALFM Peso Bond Fund's NAV also declined for the period by PhP 4.3 Billion.
- 4.) *Portfolio Quality* – The Fund's portfolio should, at all times, adhere to the investment parameters as indicated in the Fund's prospectus. The Fund continued to remain well diversified in 2022 with 30.4% of the Fund's portfolio invested in government securities, 53.8% in corporate securities, 2.2% in preferred shares, 2.0% in fixed income funds, 11.6% in cash and cash equivalents.
- 5.) *Performance vis-a-vis Competition* - The Fund's performance is also compared against the performance of other players in the market. As of December 2022, ALFM Peso Bond Fund ranked first among eleven mutual bond fund competitors in terms of one year absolute returns.

FINANCIAL STATEMENTS

Audited Financial Statements attached herewith.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There are no disagreements with the external auditors on the accounting and financial disclosures of the Fund.

EXTERNAL AUDIT FEES

The fund paid a total of PhP1,712,480.00 in audit fees for the 2022 Audited Financial Statements paid in 2023.

The fund engaged the external auditor to audit the 2023 financial statements. No final billing has been made for the year 2023 as of the date of filing. However, an estimate of the amount is at PhP1,479,000.00. The fund did not engage the external auditor for other services apart from those mentioned above.

The audit committee approves any engagement for the services of the external auditor. After reviewing the need for the services of the auditor, the audit committee reviews the engagement proposal submitted. The committee then agrees on the fees to be charged by the external auditors.

PART III - CONTROL AND COMPENSATION INFORMATION

DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

The following, who are all Filipino citizens, are the Fund's Directors and Officers:

1. Jose Teodoro K. Limcaoco, Chairman / Regular Director

Mr. Jose Teodoro K. Limcaoco, Filipino, born in 1962, 61 years old. He became a member of BPI Wealth Board in April 2021. He is currently the Chairman of BPI Wealth Board of Directors and Executive Committee. Mr. Limcaoco is the current President and Chief Executive Officer of the Bank of the Philippine Islands (BPI). He also serves as chairman of BPI Capital Corporation, BPI/MS Insurance Corporation, BPI AIA Life Assurance Corporation and BPI Europe PLC; president and vice chairman of The Bank of the Philippine Islands Foundation, Inc., vice chairman of BPI Century Tokyo Lease & Finance Corporation and BPI Century Tokyo Rental Corporation, director and treasurer of Bankers Association of the Philippines, BAP Data Exchange, Inc., and director of Philippine Dealing System Holdings Corporation and Philippine Payments Management, Inc. Previously, he served as president of BPI Family Savings Bank from 2010-2015 and president of BPI Capital Corporation from 2007-2010. He was also director/treasurer of Ayala Life Assurance, Inc. in 2009, director/chairman of Ayala Plans, Inc. in 2010-2015, and director of Globe Fintech Innovations, Inc. in 2017-2022 and AC Energy International Inc. in 2019-2022. He also worked at BPI from 1989 to 1992 and at BPI Capital from 1995 to 1997. From 2015 to 2021, he was a Senior Managing Director and the Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer and Finance Group Head of Ayala Corporation. He served as a director of publicly listed companies, namely: Globe Telecom, Inc., Integrated Micro-Electronics, Inc. and as a director of SSI Group, Inc. He also served as a director of a number of Ayala group companies including those involved in healthcare, infrastructure, education, energy, and industrial technologies. Mr. Limcaoco joined Ayala Corporation as a managing director in 1998. His responsibilities prior to his secondment to BPI in 2007 included assistant treasurer of Ayala Corporation, trustee and treasurer of Ayala Foundation, Inc., president of myAyala.com, and director/treasurer of Azalea Technology Investments, Inc. from 2001-2006. He served as the president of the Chamber of Thrift Banks from 2013-2015. He was named as the ING-Finex CFO of the Year in 2018. He has held prior positions with JP Morgan & Co. and with BZW Asia. He is a director and treasurer of Just For Kids, Inc., a family-owned company. He graduated from Stanford University with a BS Mathematical Sciences (Honors Program) in 1984 and from the Wharton School of the University of Pennsylvania with an MBA (Finance and Investment Management) in 1988.

2. Simon R. Paterno, President / Regular Director

Mr. Simon R. Paterno, Filipino, born in 1959, 65 years old, served as Head of the Financial Products and Services Group of the Bank of the Philippine Islands. He was responsible for managing the product businesses of the Bank, including Investment Banking, Corporate Loans, Transaction Banking, Retail Lending, Cards and Payments, Asset Management and Trust, Electronic Channels, and Deposits. He also supervised subsidiaries and affiliates in insurance, leasing, and merchant acquiring. He was a member of the Management Committee of BPI. Mr. Paterno is the former President and CEO of the Development Bank of the Philippines, serving from 2002-2004. He worked for 18 years at the New York, Hong Kong, and Manila offices of J.P. Morgan, serving finally as Managing Director in charge of sovereign clients during the Asian Financial Crisis of 1997-98, and as Country Manager for the Philippines until 2002. He also worked for 8 years at Credit Suisse as Managing Director and Country Manager for the Philippines. Mr. Paterno obtained his MBA from Stanford University in 1984. He was awarded his A.B., cum laude, Honors Program in Economics from Ateneo de Manila University in 1980. In 2005, he was elected President of the Management Association of the Philippines. He serves on the boards of the Foundation for Economic Freedom and Ateneo Scholarship Foundation. He was named a TOYM awardee for Investment Banking in 1999.

3. Adelbert A. Legasto, Regular Director

Mr. Adelbert A. Legasto, Filipino, born in 1947, 76 years old, is a director of ALFM Peso Bond Fund, Inc., ALFM Dollar Bond Fund, Inc., ALFM Euro Bond Fund, Inc., ALFM Money Market Fund, Inc., ALFM

Growth Fund, Inc., the Philippine Stock Index Fund, Corp., ALFM Global Multi-Asset Income Fund, Inc., ALFM Retail Corporate Fixed Income Fund, Inc., ALFM Principal Preservation Fund, Inc., and BPI Investment Management, Inc. He has served as Governor of the Philippine Stock Exchange 1994-96, Governor of the Makati Stock Exchange 1994-97, was an incorporator of the Philippine Central Depository (PCD), and served as President of the Trust Officers Association of the Philippines in 1998-99. He graduated from the Ateneo de Manila University with an A.B. Economics degree and completed his M.B.A. academics at the Ateneo Graduate School of Business. He completed the Pension Funds and Money Management from the Wharton School of the University of Pennsylvania, and Investment Management at the CFA Institute at the Harvard Business School in Boston, Massachusetts.

4. Raymund Martin T. Miranda, Independent Director

Mr. Raymund Martin T. Miranda, Filipino, born in 1962 and has been an Asia-Pacific media executive and strategist for more than 37 years. He is currently the Chief Strategy Officer, Chief Risk Management Officer, Compliance Officer of ABS-CBN Corporation, having served as Chief Strategy Officer since 2012. Before his appointment with ABS-CBN, Mr. Miranda formed a consulting firm and served as co-founder of the Dolphin Fire Group Asia. Previously, he was the Managing Director, Global Networks Asia-Pacific of NBCUniversal from 2007 to 2011, based in Singapore, heading the entertainment channels division of NBCUniversal across 33 countries. Before that, Mr. Miranda spent a year in Manila as the President/CEO of Nation Broadcasting Corporation (92.3x FM) and Head of Strategy and Content for Mediaquest Holdings, Inc. From 1998 to 2006, he was with The Walt Disney Company in Singapore and Manila as Managing Director South East Asia for Walt Disney International, Managing Director for South East Asia/Korea for Walt Disney Television International, and the Head of Radio Disney Asia. He started his career in FM radio before joining the GMA Network group in 1987. He was named Vice-President, Creative Services of GMA Network, Inc. in 1992. Mr. Miranda attended college at the University of the Philippines, Diliman, and is a grade school and high school alumni of the Ateneo de Manila.

5. Mario Antonio V. Paner Independent Director

Filipino, 65 years old, Mr. Paner served as Treasurer and head of BPI's Global Markets Segment. As such, he was responsible for managing the interest rate and liquidity gaps, as well as the fixed income and currency market-making, trading, and distribution activities of BPI and its subsidiaries and affiliates- in the Philippines and abroad. Before retirement, Mr. Paner was Chairman of the Bank's Asset & Liability Committee and was a member of the Management Committee and Asset Management Investment Council.

After working with Ayala Investments and Development Corporation (1979) and Family Savings Bank (1981), Mr. Paner joined BPI in 1985, when the Bank acquired Family Savings Bank and performed various Treasury and Trust positions until 1989. Between 1989 and 1996, he worked at Citytrust, then the consumer banking arm of Citibank in the Philippines, which BPI acquired in 1996. At BPI, he has been responsible for various businesses of the bank, including Risk Taking, Portfolio Management, Money Management, Asset Management, Remittance and Private Banking.

Mr. Paner served as President of the Money Market Association of the Philippines (MART) in 1998 and remains in its Board of Advisers up to now. He also served as Vice Chairman of the Bankers Association of the Philippines' (BAP) Open Market Committee and lecturer for the BAP/Ateneo School of Banking. He was also a member of the Makati Business Club, Management Association of the Philippines, British Chamber of Commerce, and the Philippine British Business Council. He was an Independent Director and member of the Corporate Governance and Audit Committees of Ayala Energy Phils from 2020 until 2021.

He obtained an A.B. Economics degree from Ateneo de Manila University in 1979 and completed various courses in Business and Finance, including Strategic Financial Management in 2006 and the Advanced Management Program in 2009, both at the Harvard Business School.

Mr. Paner retired from BPI in 2019. Aside from ALFM, he is also presently an independent director of ACE Enexor Inc (ACEX).

Other Officers of the Fund

1. Fernando J. Sison III – Treasurer

Mr. Fernando J. Sison III, Filipino, born in 1952, 70 years old, is the Treasurer of the Fund since 2004. He used to be the President of BPI Investment Management, Inc. from May 2004 up to June 2012. He previously served as Vice President and head of many of BPI's divisions, including AMTG Retail Trust Division, AMTG Portfolio Management Division, SDG Retail Funds Distribution, and Private Banking Unit. He was assigned to BPI International Finance Ltd. (HK) as Head of Investment Management Division and to BPI Capital Corporation – Corporate Finance Group as Vice President and Head of Syndications and Underwriting. He completed the corporate finance module of JP Morgan in New York and underwent on-the-job training in corporate finance with JP Morgan in Hong Kong. He previously served as President of the Investment Company Association of the Philippines (ICAP) for 3 terms up to 2006 and as Chairman of the Board of the Philippine Investment Funds Association (PIFA), formerly ICAP, for 5 terms up to 2012-2013. He served as Industry Governor of the Market Governance Board of the Philippine Dealing and Exchange Corp. in 2008 and 2011 and as Alternate Governor for 5 terms. He is a SEC-licensed Certified Investment Solicitor from 2001 to 2012. He is currently the Investments Administrator and the Director for Business Affairs of the Ateneo de Manila University. He is a member of the Retirement Commission and the Investment Committee of the CEAP Retirement Fund. He is also a member of the Board of Senior Advisers of PIFA. Mr. Sison graduated from the Ateneo de Manila University in 1974 with the degree A.B. General Studies (Honorable Mention). He obtained his M.B.A. degree in 1976 from the University of the Philippines (Diliman).

2. Atty. Sabino B. Padilla IV, Corporate Secretary

Atty. Sabino B. Padilla IV, born in 1960, 62 years old, is the Corporate Secretary and Compliance Officer of the ALFM Mutual Funds. Atty. Padilla graduated with a degree in Bachelor of Laws from the University of the Philippines in 1985. He then received his Master of Laws from the Harvard University, USA in 1988. He is currently a partner of the Padilla Law Office which is legal counsel to BPI and its subsidiaries and to various religious orders, societies and congregations for men and women as well as educational institutions and hospitals operated by them. He is also the Corporate Secretary of other mutual funds such as the Solidaritas Fund and Ekklesia Mutual Fund.

3. Glenn Noel L. Llaneta, Compliance Officer, AML & Data Protection Officer

Mr. Llaneta has a combined 19 years and running banking experience spanning stints in Accounting, Trust Services, Customer Due Diligence (CDD) specializing in Know Your Customer (KYC) and Customer Transaction Monitoring gained from Local and International banks. He joined BIMF last July 1, 2023 as a Compliance Officer, as such he would be responsible that the company has internal controls to adequately manage risk as well as ensures the entity as well as the Mutual Funds are in compliance with the regulatory requirements. He possesses International Advanced Certificate in Anti-Money Laundering accorded by International Compliance Association (ICA) and a Certified Know Your Customer Associate (CKYCA) afforded by Certified Anti-Money Laundering Specialist (CAMS). He also successfully passed AMLF/CTF Fundamentals Course administered by Anti-Money Laundering Council (AMLC).

Additional Information required under Annex C of SRC Rule 12:

- ❑ The incorporators of the Fund are: Mr. Romeo L. Bernardo, Adelbert A. Legasto, Isagani G. de Castro, Ramon G. Madrid and Emilio S. De Quiros, Jr.
- ❑ Mr. Paner and Mr. Miranda are independent directors of the fund. Mr. Adelbert A. Legasto, as Director, nominated Mr. Miranda as an Independent Director. Mr. Legasto and Mr. Miranda are not related to each other. Mr. Legasto and Mr. Miranda nominated Mr. Mario Antonio V. Paner as Independent Director. Mr. Legasto and Mr. Miranda are not related to Mr. Paner. An independent director is a person not having any relationship or position in the fund, or in parties related to the fund, the holding of which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, in compliance with Section 38 of the Securities Regulation Code.

- ❑ Each Director shall serve for a term of 1 year from his appointment and until his successor has been duly elected and qualified, provided, however, that any director may be removed from office at anytime with or without cause by a 3/4th vote of the subscribed capital stock entitled to vote. Other than this, the Fund has no existing employment contract with any of the Fund's directors.
- ❑ No member of the Board of ALFM Peso has been the subject of any legal/criminal proceedings for the past five years.

EXECUTIVE COMPENSATION

| Director / Officer | Position | Year | Salary | Bonus | Other Salary |
|----------------------------|--|------------------|------------|-------|--------------|
| Jose Teodoro K. Limcaoco | | 2023 | - | - | - |
| | | 2024 (estimated) | 57,142.00 | - | - |
| Simon R. Paterno | President/Director (Starting March 2015) | 2011 | - | - | - |
| | | 2012 | - | - | - |
| | | 2013 | - | - | - |
| | | 2014 | - | - | - |
| | | 2015 | - | - | - |
| | | 2016 | - | - | - |
| | | 2017 | - | - | - |
| | | 2018 | - | - | - |
| | | 2019 | 9,000.00 | - | - |
| | | 2020 | 20,250.00 | - | - |
| | | 2021 | 11,250.00 | - | - |
| | | 2022 | 97,618.00 | - | - |
| | | 2023 | 207,484.92 | - | - |
| | | 2024 (estimated) | 68,571.00 | - | - |
| Mario Antonio V. Paner | Independent Director (Jan2022) | 2022 | 83,000.00 | - | - |
| | | 2023 | 177,650.64 | - | - |
| | | 2024 (estimated) | 57,142.00 | - | - |
| Raymun Martin T. Miranda | Independent Director | 2022 | 83,333.00 | - | - |
| | | 2023 | 177,650.64 | - | - |
| | | 2024 (estimated) | 57,142.00 | - | - |
| Adelbert A. Legasto | Director | 2011 | 46,750.00 | - | - |
| | | 2012 | 29,750.00 | - | - |
| | | 2013 | - | - | - |
| | | 2014 | - | - | - |
| | | 2015 | 8,500.00 | - | - |
| | | 2016 | 14,875.00 | - | - |
| | | 2017 | 19,125.00 | - | - |
| | | 2018 | 22,500.00 | - | - |
| | | 2019 | 18,000.00 | - | - |
| | | 2020 | 20,250.00 | - | - |
| | | 2021 | 4,500.00 | - | - |
| | | 2022 | 83,333.00 | - | - |
| | | 2023 | 149,171.85 | - | - |
| | | 2024 (estimated) | 57,142.00 | - | - |
| Atty. Sabino B. Padilla IV | Corporate Secretary | 2011 | 46,750.00 | - | - |
| | | 2012 | 29,750.00 | - | - |
| | | 2013 | 23,375.00 | - | - |
| | | 2014 | 21,250.00 | - | - |
| | | 2015 | 21,250.00 | - | - |
| | | 2016 | 17,000.00 | - | - |
| | | 2017 | 19,125.00 | - | - |
| | | 2018 | 22,500.00 | - | - |

| | | | | | |
|-----------------------|---|------------------|------------|---|---|
| | | 2019 | 18,000.00 | - | - |
| | | 2020 | 20,250.00 | - | - |
| | | 2021 | 60,750.00 | - | - |
| | | 2022 | 83,333.00 | - | - |
| | | 2023 | 121,325.04 | - | - |
| | | 2024 (estimated) | 57,142.00 | - | - |
| Fernando J. Sison III | Treasurer | 2012 | 8,500.00 | - | - |
| | | 2013 | 23,375.00 | - | - |
| | | 2014 | 21,250.00 | - | - |
| | | 2015 | 6,375.00 | - | - |
| | | 2016 | 17,000.00 | - | - |
| | | 2017 | 17,000.00 | - | - |
| | | 2018 | 22,500.00 | - | - |
| | | 2019 | 13,500.00 | - | - |
| | | 2020 | 20,250.00 | - | - |
| | | 2021 | 60,750.00 | - | - |
| | | 2022 | 83,333.00 | - | - |
| | | 2023 | 149,487.84 | | |
| | | 2024 (estimated) | 57,142.00 | - | - |
| Glenn Noel L. Llaneta | Compliance Officer, and Risk Officer (Starting July 2023) | 2023 | - | - | - |
| | | 2024 (estimated) | - | - | - |

Directors and Officers of the Fund are entitled to receive a per diem allowance in the amount of Php5,000.00 for every Board meeting attended. Excluded in the payment of per diem allowances are Directors and Officers of the Fund who are also Officers of the Fund Manager or the Investment Advisor. The following amounts were paid for the years 2022 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, and 2010, respectively, Php579,283.00, Php171,083.00, Php151,875.00, Php114,000.00, Php136,250.00, Php121,150.00, Php95,875.00, Php93,875.00, Php93,500.00, Php102,000.00, Php202,000.00, Php236,500.00, and Php194,800.00. For the year 2009, no fees were paid. The estimated aggregate Directors and Officers fee for the year 2024 is Php422,423.00. Year 2022 when the board fee rate was revised with the board fee of Php100,000 and 120,000 per every regular board meeting for Regular board and Fund President. For the year 2023 the amount paid is Php982,770.93.

The Fund has no Compensation Committee.

There are no other standard or consulting arrangements or any compensatory plan relating to resignation/retirement by which directors and officers are to be compensated other than that previously stated.

SECURITY OWNERSHIP OF MANAGEMENT

- As of 31 December 2023

| Name | Position | No. of Shares | Percentage |
|---------------------------|----------------------|-----------------------------|------------|
| Jose Teodoro K. Limcaoco | Chairman/Director | 20 (beneficial) | 0.00002% |
| Adelbert A. Legasto | Director | 24,840 (record, beneficial) | 0.02649% |
| Simon R. Paterno | President/Director | 328 (record, beneficial) | 0.00035% |
| Antonio V. Paner | Independent Director | 20 (beneficial) | 0.00002% |
| Raymund Martin T. Miranda | Independent Director | 20 (beneficial) | 0.00002% |
| Fernando J. Sison III | Treasurer | 9,446 (record) | 0.01007% |
| Atty. Sabino Padilla IV | Corp. Secretary | 0 | 0.00000% |

The fund has no Voting Trust Agreement.

CHANGE IN CONTROL

There is no existing arrangement which is known to the Company which may result in the change of control of ALFM Peso Bond Fund, Inc.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The fund has no existing or proposed transaction with any entity which any of its directors, officers or stockholders have material interest in the last two years and will not have any future related transactions.

Also, it has not hired an expert or independent counsel on a contingent basis. There is also no existing voting trust or similar agreement entered into by holders of more than 5% of a class.

BPI Wealth – A Trust Corporation, as a fund manager, shall formulate and implement the investment strategy, provide and render management, technical, and administrative services, whereby authorizing BPI Wealth – A Trust Corporation to purchase and sell investment securities for the account of the Fund. As investment advisor, BPI Wealth – A Trust Corporation is tasked to render services which include investment research and advice; the preparation of economic, industry, market, corporate, and security analyses; and assistance and recommendations in the formulation of investment guidelines. In consideration for the above management, distribution, administration and advisory services, the Fund pays BPI Wealth – A Trust Corporation a fee of not more than 1.00% p.a. of the Fund's average daily trading NAV in 2023, 2022, 2021, 2020 and 2019.

The Fund has distribution agreements with subsidiaries of BPI, namely, BIMi and BPI Capital Corporation (BPI Capital). Under the terms of the agreement, BIMi and BPI Capital are appointed as co-distributors to perform principally all related daily functions in connection with the marketing and the growth of the level of assets of the Fund for a fee of 0.25% p.a. based on the outstanding daily balance of the Fund's shares distributed in 2023, 2022, 2021, 2020 and 2019. Such agreements are effective year after year unless terminated by each party. BPI act as the receiving banks for the contributions and withdrawals related to the Fund as transacted by the distributors and shareholders.

PART IV - CORPORATE GOVERNANCE

COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

The company continuously evaluates level of compliance of the Board of Directors and top level management with its Manual on Corporate Governance through a self-rating and peer evaluation system complemented by 180 degrees feedback mechanism. To ensure that no deviation is committed from the company's manual; such evaluation is performed at least once every quarter. There has been no deviation from the company's Manual of Corporate Governance as of the date of this report.

PART V - EXHIBITS AND SCHEDULES

EXHIBITS AND REPORTS ON SEC FORM 17-C

1. Exhibits NONE
2. Reports on SEC Form 17-C

| Items Reported | Date Filed |
|---|-------------------|
| Item taken up and approved during the Special Board of Directors Meeting held on February 06, 2023 | February 09, 2023 |
| Items taken up and approved during the Regular Meeting of the Board of Directors held on April 12, 2023 | April 17, 2023 |
| Items taken up and approved during the Special Board of Directors Meeting held on May 08, 2023 | May 11, 2023 |

| | |
|--|--------------------|
| Items taken up and approved during the Special Board of Directors Meeting held on May 12, 2023 | May 17, 2023 |
| Item taken up and approved during the Organizational Meeting of the Board of Directors Meeting held on July 14, 2023 | July 18, 2023 |
| Item taken up and approved during the Annual Stockholders' Meeting held on July 14, 2023 | July 18, 2023 |
| Item taken up and approved during the Special Board of Directors Meeting held on September 12, 2023 | September 15, 2023 |
| Item taken up and approved during the Special Board of Directors Meeting held on September 25, 2023 | September 28, 2023 |
| Items taken up and approved during the Regular Meeting of the Board of Directors held on November 21, 2023 | November 24, 2023 |
| Item taken up and approved during the Special Board of Directors Meeting held on September 12, 2023 | December 29, 2023 |

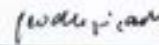
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on

11 APR 2024

By:


SIMON R. PATERNO
President


JOSE TEODORO K. LIMCAOCO
Chairman


FERNANDO J. SISON III
Treasurer


ATTY. SABINO B. PADILLA IV
Corporate Secretary



CHRISTMAS G. SEVILLA
*For BPI Wealth - A Trust Corporation
as Fund Manager*

11 APR 2024

SUBSCRIBED AND SWORN to before me this _____ affiants exhibiting to me their Tax Identification Nos., as follow:

| NAMES | TAX IDENTIFICATION NO. |
|----------------------------|------------------------|
| Jose Teodoro K. Limcaoco | 135-554-880 |
| Simon R. Paterno | 203-010-472 |
| Fernando J. Sison III | 135-565-275 |
| Atty. Sabino B. Padilla IV | 113-255-561 |
| Christmas G. Sevilla | 111-622-818 |

Doc. No. **499**
Page No. **101**
Book No. **1X**
Series of 20 **24**


ATTY. ROGELIO J. BOLIVAR
NOTARY PUBLIC IN QUEZON CITY
Commission No. Adm. Matter No. NP 549 (2023-2024)
IBP O.R. No. 180815 2023 & IBP O.R. No. 180816 2024
PTR O.R. No. 4127771 D 01/03/2024 / Roll No. 33832 / TIN # 129-871-00-000
MCLE No. 788 FROM APRIL 15, 2023 UNTIL APRIL 14, 2025
Address: 31-F Harvard St. Cubao, Q.C.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

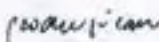
The management of ALFM Peso Bond Fund Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended 31 December 2022 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

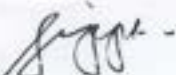
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

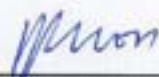
Isla Lipana & Co., the independent auditor, appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



Jose Teodoro K. Limcaoco
Chairman



Simon R. Paterno
President



Fernando J. Sison III
Treasurer

11 APR 2024

Signed this ____ day of _____

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES
NATIONAL CAPITAL REGION
CITY OF MANILA

BEFORE ME, a Notary Public for and in the above jurisdiction, personally appeared:

| Name | Tax Identification No. |
|--------------------------|------------------------|
| JOSE TEODORO K. LIMCAOCO | 135-554-880 |
| SIMON R. PATERNO | 203-010-472 |
| FERNANDO J. SISON III | 135-565-275 |

Known to me to be the same persons who executed the foregoing CERTIFICATE, consisting of 2 pages including this page wherefore this Acknowledgement is written and they acknowledge to me that the same is their voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and place first above written.

Doc. No. 04
Page No. 62
Book No. X
Series of 20 24


ATTY. ROGELIO J. BOLIVAR
NOTARY PUBLIC IN QUEZON CITY

Commission No. Adm. Matter No. NP 549 (2023-2024)
IBP O.R. No. 180815 2023 & IBP O.R. No. 180816 2024
PTR O.R. No. 4127771 D 01/03/2024 / Roll No. 33832 / TIN # 129-871-009-000
MCLE No. 788 FROM APRIL 15, 2023 UNTIL APRIL 14, 2025
Address: 31-F Harvard St. Cubao, Q.C.

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY S.S.

TREASURER'S CERTIFICATION

I, Fernando J. Sison III, of legal age, Filipino and with office address at 7/F, BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City, after being sworn in accordance with law, hereby certify under oath that:

1. I am the Treasurer of ALFM Peso Bond Fund, Inc. (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under SEC Certificate of Registration No. A1997-12806 with principal office address at 7/F, BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City.
2. The accounts and figures provided in the electronic copy of the Special Form for Financial Statements are based on the contents of the Audited Annual Financial Statements of the Corporation submitted to SEC.
3. I am executing this certification to attest to the truth of the foregoing and in compliance with the reportorial requirements of the SEC.

11 APR 2024

WITNESS MY HAND on this ____ day of _____ 20__ in Makati City.


FERNANDO J. SISON III

Treasurer

11 APR 2024

SUBSCRIBED AND SWORN to before me on this ____ day of _____ at **QUEZON CITY**. Affiant exhibited to me his Tax Identification No. 135-565-275.

Doc. No. 23 :
Page No. 08 :
Book No. 1x :
Series of 20 24


ATTY. ROGELIO J. BOLIVAR

NOTARY PUBLIC IN QUEZON CITY

Commission No. Adm. Matter No. NP 549 (2023-2024)

IBP O.R. No. 180815 2023 & IBP O.R. No. 180816 2024

PTR O.R. No. 4127771 D 01/03/2024 / Roll No. 33832 / TIN # 129-871-009-000

MCLE No. 788 FROM APRIL 15, 2023 UNTIL APRIL 14, 2025

Address: 31-F Harvard St. Cubao, Q.C.

REPUBLIC OF THE PHILIPPINES)

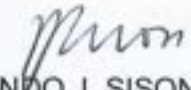
QUEZON CITY S.S.

TREASURER'S CERTIFICATION

I, Fernando J. Sison III, of legal age, Filipino and with office address at 7/F, BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City, after being sworn in accordance with law, hereby certify that:


1. I am the Treasurer of ALFM Peso Bond Fund, Inc. (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under SEC Certificate of Registration No. A1997-12806 with principal office address at 7/F, BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City.
2. The Financial Statement ("F/S") CD submitted contains the exact data stated in the hard copies of the F/S of the Corporation.
3. I am executing this certification to attest to the truth of the foregoing and in compliance with the reportorial requirements of the SEC.

WITNESS MY HAND on this 11 APR 2024 day of _____ 20__ in Makati City.


FERNANDO J. SISON III
Treasurer

SUBSCRIBED AND SWORN to before me on this 11 APR 2024 day of _____ at QUEZON CITY, Affiant exhibited to me his Tax Identification No. 135-565-275.

Doc. No. 32 :
Page No. 08 :
Book No. 18 :
Series of 20 24


ATTY. ROGELIO J. BOLIVAR
NOTARY PUBLIC IN QUEZON CITY
Commission No. Adm. Matter No. NP 549 (2023-2024)
IBP O.R. No. 180815 2023 & IBP O.R. No. 180816 2024
PTR O.R. No. 4127771 D 01/03/2024 / Roll No. 33832 / TIN # 129-871-009-000
MCLE No. 788 FROM APRIL 15, 2023 UNTIL APRIL 14, 2025
Address: 31-F Harvard St. Cubao, Q.C.

Your BIR AFS eSubmission uploads were received

eafs@bir.gov.ph <eafs@bir.gov.ph>

Fri 4/12/2024 9:28 PM

To:AMTC-ALFM PESO BOND FUND INC <amtc-alfmpeso@bpi.com.ph>

Cc:AMTC-ALFM PESO BOND FUND INC 01 <amtc-alfmpeso01@bpi.com.ph>

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hi ALFM PESO BOND FUND INC,

Valid files

- EAFS201184505TCRTY122023-01.pdf
- EAFS201184505RPTTY122023.pdf
- EAFS201184505AFSTY122023.pdf
- EAFS201184505ITRTY122023.pdf
- EAFS201184505OTHTY122023.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-6JGCKHKK077KJ9CFBNRTSZ33208779F5AC**

Submission Date/Time: **Apr 12, 2024 09:27 PM**

Company TIN: **201-184-505**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.



SSION



File Upload



All files successfully uploaded

Transaction Code:

AFS-0-6JGCKHKK077KJ9CFBNRTSZ33208779F5AC

Submission Date/Time:

Apr 12, 2024 09:27 PM

 [Back To Upload](#)

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| A | 1 | 9 | 9 | 7 | - | 1 | 2 | 8 | 0 | 6 |
|---|---|---|---|---|---|---|---|---|---|---|

Company Name

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|--|---|---|---|---|--|---|---|---|---|--|---|---|---|---|---|--|---|---|---|---|--|--|--|--|--|
| A | L | F | M | | P | E | S | O | | B | O | N | D | | F | U | N | D | , | | I | N | C | . | | | | | |
|---|---|---|---|--|---|---|---|---|--|---|---|---|---|--|---|---|---|---|---|--|---|---|---|---|--|--|--|--|--|

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

Principal Office (No./Street/Barangay/City/Town/Province)

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|--|---|---|---|--|---|---|---|---|---|---|---|--|---|---|---|---|---|---|--|--|--|--|--|--|--|--|
| 7 | / | F | | B | P | I | | B | U | E | N | D | I | A | | C | E | N | T | E | R | | | | | | | | |
|---|---|---|--|---|---|---|--|---|---|---|---|---|---|---|--|---|---|---|---|---|---|--|--|--|--|--|--|--|--|

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|--|---|---|---|--|---|---|--|---|---|---|---|---|--|---|---|---|---|--|--|--|--|--|--|--|--|
| S | E | N | . | | G | I | L | | J | . | | P | U | Y | A | T | | A | V | E | . | | | | | | | | |
|---|---|---|---|--|---|---|---|--|---|---|--|---|---|---|---|---|--|---|---|---|---|--|--|--|--|--|--|--|--|

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|--|---|---|---|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| M | A | K | A | T | I | | C | I | T | Y | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|--|---|---|---|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

Form Type

| | | | |
|--|---|---|---|
| | A | F | S |
|--|---|---|---|

Department requiring the report

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

Secondary License Type, if applicable

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

COMPANY INFORMATION

Company's Email Address

BPI_Wealth_Operation@bpi.com.ph

Company's Telephone Number(s)

(632) 8580-0900

Mobile Number

| |
|--|
| |
|--|

No. of Stockholders

| |
|--|
| |
|--|

Annual Meeting (Month/Day)

| |
|--|
| |
|--|

Fiscal Year (Month/Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

Andrae V. Manalo

Email Address

avmanalo@bpi.com.ph

Telephone Number(s)

8580-0900

Mobile Number

| |
|--|
| |
|--|

Contact Person's Address

7/F BPI Buendia Center, Sen. Gil J. Puyat Avenue, Makati City 1209

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.



Independent Auditor's Report

To the Board of Directors and Shareholders of
ALFM Peso Bond Fund, Inc.
7th Floor, BPI Buendia Center
Sen. Gil J. Puyat Avenue
Makati City

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ALFM Peso Bond Fund, Inc. (the "Fund") as at December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The financial statements of the Fund comprise:

- the statements of financial position as at December 31, 2023 and 2022;
- the statements of comprehensive income for each of the three years in the period ended December 31, 2023;
- the statements of changes in equity for each of the three years in the period ended December 31, 2023.
- the statements of cash flows for each of the three years in the period ended December 31, 2023; and
- the notes to the financial statements, including material accounting policy information.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing ("PSA"). 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.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, www.pwc.com/ph

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.



Independent Auditor's Report
To the Board of Directors and Shareholders of
ALFM Peso Bond Fund, Inc.
Page 2

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 PFRS, 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 PSA 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.



Independent Auditor's Report
To the Board of Directors and Shareholders of
ALFM Peso Bond Fund, Inc.
Page 3

As part of an audit in accordance with PSA, 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.




Independent Auditor's Report
To the Board of Directors and Shareholders of
ALFM Peso Bond Fund, Inc.
Page 4

Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 19 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.



Zaldy D. Aguirre
Partner

CPA Cert No. 0105660
P.T.R. No. 0024447, issued on January 12, 2024, Makati City
TIN 221-755-698
BIR A.N. 08-000745-077- 2023, issued on December 22, 2023; effective until December 21, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 27, 2024



**Statements Required by Rule 68,
Securities Regulation Code (SRC),
As Amended on October 3, 2019**

To the Board of Directors and Shareholders of
ALFM Peso Bond Fund, Inc.
7th Floor, BPI Buendia Center
Sen. Gil J. Puyat Avenue
Makati City

We have audited the financial statements of ALFM Peso Bond Fund, Inc. as at and for the year ended December 31, 2023, on which we have rendered the attached report dated March 27, 2024. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration as at December 31, 2023, and Schedules A,B,C,D,E,F and G, as required by Rule 68 of the Securities Regulation Code, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Rule 68 of the Securities Regulation Code.

Isla Lipana & Co.

A handwritten signature in black ink, appearing to read 'Zaldy D. Aguirre'.

Zaldy D. Aguirre
Partner

CPA Cert No. 0105660

P.T.R. No. 0024447, issued on January 12, 2024, Makati City

TIN 221-755-698

BIR A.N. 08-000745-077- 2023, issued on December 22, 2023; effective until December 21, 2026

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 27, 2024

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, www.pwc.com/ph

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

ALFM Peso Bond Fund, Inc.

Statements of Financial Position
December 31, 2023 and 2022
(All amounts in thousands of Philippine Peso)

| | Notes | 2023 | 2022 |
|---|--------------|-------------------|-------------------|
| Assets | | | |
| Assets | | | |
| Cash and cash equivalents | 2 | 628,691 | 2,068,984 |
| Short-term investments | 3 | 1,000,000 | 1,000,000 |
| Financial assets at fair value through profit or loss | 4 | 5,079,142 | 6,693,127 |
| Investment securities at amortized cost, net | 5 | 29,851,712 | 29,855,533 |
| Loans and receivables | 6 | 297,929 | 370,196 |
| Total assets | | 36,857,474 | 39,987,840 |
| Liabilities and Equity | | | |
| Liabilities | | | |
| Management and distribution fees payable | 7 | 27,261 | 29,288 |
| Other liabilities | 8 | 4,197 | 5,477 |
| Total liabilities | | 31,458 | 34,765 |
| Equity | | | |
| Redeemable shares | 10 | 9,376,917 | 10,524,057 |
| Share premium | | - | 1,478,262 |
| Retained earnings | | 27,449,099 | 27,950,756 |
| Total equity | 11 | 36,826,016 | 39,953,075 |
| Total liabilities and equity | | 36,857,474 | 39,987,840 |

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

ALFM Peso Bond Fund, Inc.

Statements of Comprehensive Income
For each of the three years in the period ended December 31, 2023
(All amounts in thousands of Philippine Peso)

| | Notes | 2023 | 2022 | 2021 |
|---|--------------|-------------|-------------|-------------|
| INCOME | | | | |
| Interest income | 2,3,5,6 | 1,566,570 | 1,387,503 | 1,532,688 |
| Income (losses) from financial assets at fair value through profit or loss, net | 4 | 522,962 | (394,447) | (116,605) |
| Other (losses) income | 12 | (5,361) | 106,392 | (329,730) |
| | | 2,084,171 | 1,099,448 | 1,086,353 |
| EXPENSES | | | | |
| Management, distribution and other professional fees | 13 | 393,570 | 421,824 | 446,645 |
| Taxes and licenses | | 10,027 | 12,573 | 21,592 |
| Custodian fee | 15 | 7,393 | 14,069 | 8,993 |
| Others | | 11,903 | 10,309 | 6,537 |
| | | 422,893 | 458,775 | 483,767 |
| INCOME BEFORE INCOME TAX | | 1,661,278 | 640,673 | 602,586 |
| INCOME TAX EXPENSE | 9 | 379,970 | 323,486 | 271,559 |
| NET INCOME FOR THE YEAR | | 1,281,308 | 317,187 | 331,027 |
| OTHER COMPREHENSIVE INCOME | | - | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 1,281,308 | 317,187 | 331,027 |
| BASIC AND DILUTED EARNINGS PER SHARE | 10 | 12.85 | 2.84 | 2.43 |

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

ALFM Peso Bond Fund, Inc.

Statements of Changes in Equity
For each of the three years in the period ended December 31, 2023
(All amounts in thousands of Philippine Peso)

| | Redeemable shares (Note 10) | Share premium | Retained earnings | Total equity (Note 11) |
|---|--|--------------------------|------------------------------|-----------------------------------|
| Balance at January 1, 2021 | 11,914,909 | 5,293,946 | 27,300,216 | 44,509,071 |
| Comprehensive income | | | | |
| Net income for the year | - | - | 331,027 | 331,027 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the year | - | - | 331,027 | 331,027 |
| Transactions with owners | | | | |
| Issuance of shares | 1,594,820 | 4,337,964 | - | 5,932,784 |
| Redemption of shares | (1,730,670) | (4,707,481) | 887 | (6,437,264) |
| Total transactions with owners | (135,850) | (369,517) | 887 | (504,480) |
| Balance at December 31, 2021 | 11,779,059 | 4,924,429 | 27,632,130 | 44,335,618 |
| Comprehensive income | | | | |
| Net income for the year | - | - | 317,187 | 317,187 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the year | - | - | 317,187 | 317,187 |
| Transactions with owners | | | | |
| Issuance of shares | 856,452 | 2,351,771 | - | 3,208,223 |
| Redemption of shares | (2,111,454) | (5,797,938) | 1,439 | (7,907,953) |
| Total transactions with owners | (1,255,002) | (3,446,167) | 1,439 | (4,699,730) |
| Balance at December 31, 2022 | 10,524,057 | 1,478,262 | 27,950,756 | 39,953,075 |
| Comprehensive income | | | | |
| Net income for the year | - | - | 1,281,308 | 1,281,308 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the year | - | - | 1,281,308 | 1,281,308 |
| Transactions with owners | | | | |
| Issuance of shares | 667,754 | 1,892,597 | - | 2,560,351 |
| Redemption of shares | (1,814,894) | (3,370,859) | (1,782,965) | (6,968,718) |
| Total transactions with owners | (1,147,140) | (1,478,262) | (1,782,965) | (4,408,367) |
| Balance at December 31, 2023 | 9,376,917 | - | 27,449,099 | 36,826,016 |

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

ALFM Peso Bond Fund, Inc.

Statements of Cash Flows
For each of the three years in the period ended December 31, 2023
(All amounts in thousands of Philippine Peso)

| | Notes | 2023 | 2022 | 2021 |
|---|-----------|-------------|-------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Income before income tax | | 1,661,278 | 640,673 | 602,586 |
| Adjustments for: | | | | |
| Unrealized fair value gains (losses) on financial assets | | | | |
| fair value through profit or loss, net | 4 | (169,673) | 384,485 | 543,925 |
| Unrealized foreign exchange (losses) gains | | 1 | 8,839 | (11,730) |
| Interest income | 2,3,4,5,6 | (1,807,161) | (1,667,171) | (1,736,804) |
| Interest received | | 1,534,744 | 1,440,303 | 1,568,091 |
| Dividend income | 4 | (42,499) | (56,246) | (147,735) |
| Dividend received | 4,6 | 46,955 | 65,537 | 150,793 |
| Operating income before changes in operating assets and liabilities | | 1,223,645 | 816,420 | 969,126 |
| Changes in operating assets and liabilities | | | | |
| (Increase) decrease in: | | | | |
| Short-term investments | 3 | - | (1,000,000) | - |
| Financial assets at fair value through profit or loss | | 2,024,249 | 3,491,959 | (1,070,359) |
| Loans and receivables | 6 | 99,637 | 1,076,633 | 1,315,136 |
| Investment securities at amortized cost, net | 5 | 3,821 | 1,334,421 | (685,731) |
| Decrease (increase) in: | | | | |
| Management and distribution fees payable | | (2,027) | (3,039) | 35 |
| Other liabilities | | (1,280) | (625) | 1,045 |
| Cash generated from operations | | 3,348,045 | 5,715,769 | 529,252 |
| Income taxes paid | | (379,970) | (323,486) | (283,813) |
| Net cash from operating activities | | 2,968,075 | 5,392,283 | 245,439 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from issuance of shares | 10 | 2,560,351 | 3,208,223 | 5,932,784 |
| Payment for redemption of shares | 10 | (6,968,718) | (7,907,953) | (6,448,609) |
| Net cash used in financing activities | | (4,408,367) | (4,699,730) | (515,825) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | | (1,440,292) | 692,553 | (270,386) |
| CASH AND CASH EQUIVALENTS | 2 | | | |
| January 1 | | 2,068,984 | 1,385,270 | 1,643,926 |
| Effect of changes in foreign exchange | | (1) | (8,839) | 11,730 |
| December 31 | | 628,691 | 2,068,984 | 1,385,270 |

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

ALFM Peso Bond Fund, Inc.

Notes to Financial Statements

As at December 31, 2023 and 2022 and

for each of the three years in the period ended December 31, 2023

(All amounts are in thousands of Philippine Peso, unless otherwise stated)

1 General information

A FM eso Bond Fund, Inc. (the “Fund”) was incorporated in the Philippines primarily to establish and carry on the business of an open-end investment company. It was registered on July 18, 1997 with the Philippine Securities and Exchange Commission (SEC) under the Investment Company Act of 1960 (Republic Act No. 2629) and the Securities Regulation Code (Republic Act No. 8799).

The Fund aims to generate a steady stream of income through investments in a diversified portfolio of high-grade fixed income instruments. As an open-end investment company, the Fund stands ready at any time to redeem its outstanding shares at a value defined under the Fund’s prospectus (Note 11).

The Fund is registered as an issuer of securities with the SEC under Section 12 of the Securities Regulation Code (SRC). In compliance with the SRC, the Fund is required to file registration statements for each instance of increase in authorized shares. The last registration statement filed by the Fund for an increase in authorized shares and the permit to offer securities for sale were approved by the SEC on August 15, 2014 and June 29, 2016, respectively (Note 10).

The Fund’s registered office is at BPI Head Office Building, Ayala Avenue corner Paseo de Roxas, Makati City while its principal place of business is at 7th Floor, BPI Buendia Center, Sen. Gil J. Puyat Avenue, Makati City.

The Fund has no employees. The principal management and administration functions of the Fund are outsourced from BPI Investment Management, Inc. (BIMI) until March 31, 2023. Effective April 1, 2023, such functions were transferred to BPI Wealth - A Trust Corporation (“B I ealth” or the “Fund Manager”) (Note 14).

Approval of the financial statements

These financial statements have been approved and authorized for issuance by the Fund’s Board of Directors (BOD) on March 26, 2024. There are no material events that occurred from March 26 to March 27, 2024.

2 Cash and cash equivalents

The account at December 31 consists of:

| | 2023 | 2022 |
|--------------------------|---------|-----------|
| Short-term time deposits | 608,000 | 2,063,050 |
| Regular savings deposits | 20,691 | 5,934 |
| | 628,691 | 2,068,984 |

Short-term time deposits have maturity period of less than three (3) months and bear interest at prevailing market rates.

Interest income earned from cash and cash equivalents as at December 31, 2023 amounts to P89,528 (2022 - P57,771; 2021 - P34,732).

3 Short-term investments

Short-term investments consist of placements in time deposits with maturities of more than three (3) months but not more than one (1) year and bear interest at prevailing market rates.

Interest income earned from short-term investments for the year ended December 31, 2023 amounts to P50,247 (2022 - P4,281; 2021 - nil).

4 Financial assets at fair value through profit or loss

The account at December 31 consists of held for trading investments in:

| | Interest rates | 2023 | Interest rates | 2022 |
|-----------------------------|----------------|-----------|----------------|-----------|
| Debt securities | | | | |
| Government securities | 2.3%-14.6% | 5,079,142 | 2.3%-14.6% | 5,004,931 |
| Unit investment trust funds | - | - | - | 792,000 |
| | | 5,079,142 | | 5,796,931 |
| Listed equity securities | | - | | 896,196 |
| Total | | 5,079,142 | | 6,693,127 |

The maturity pattern of debt securities follows:

| | 2023 | 2022 |
|---------------------------------------|-----------|-----------|
| Due in one year or less | - | 792,000 |
| Due after one year through five years | 2,968,520 | 1,579,015 |
| Longer than 5 years | 2,110,622 | 3,425,916 |
| | 5,079,142 | 5,796,931 |

Details of income (losses) from financial assets at fair value through profit or loss, net, for the years ended December 31 follow:

| | 2023 | 2022 | 2021 |
|-------------------------------|---------|-----------|-----------|
| Interest income | 240,591 | 279,668 | 204,116 |
| Dividend income | 42,499 | 56,246 | 147,735 |
| Other changes | | | |
| Net realized gains (losses) | 70,199 | (345,876) | 75,469 |
| Net unrealized gains (losses) | 169,673 | (384,485) | (543,925) |
| | 522,962 | (394,447) | (116,605) |

5 Investment securities at amortized cost, net

The account at December 31 consists of:

| | Interest rates | 2023 | Interest rates | 2022 |
|---------------------------------------|----------------|------------|----------------|------------|
| Corporate debts | 2%-6.25% | 21,052,086 | 1.91%-6.25% | 21,218,603 |
| Government securities | 3.9%-14.6% | 7,280,727 | 0.00% - 4.60% | 7,136,930 |
| Other securities and debt instruments | 2.8%-5.11% | 1,529,627 | 1.92%-2.20% | 1,500,000 |
| | | 29,862,440 | | 29,855,533 |
| Allowance for impairment | | (10,728) | | - |
| | | 29,851,712 | | 29,855,533 |

The maturity pattern of investment securities at amortized cost (gross of allowance for impairment) follows:

| | 2023 | 2022 |
|---------------------------------------|------------|------------|
| Due in one year or less | 8,453,987 | 5,133,569 |
| Due after one year through five years | 15,199,611 | 18,984,958 |
| Due after five years | 6,208,842 | 5,737,006 |
| | 29,862,440 | 29,855,533 |

Interest income earned from investment securities at amortized cost, net for the year ended December 31, 2023 amounts to P1,422,543 (2022 - P1,278,363; 2021 - P1,327,390).

6 Loans and receivables

The account at December 31 consists of:

| | 2023 | 2022 |
|-----------------------------|---------|---------|
| Term loans | 59,400 | 159,240 |
| Allowance for impairment | (594) | - |
| | 58,806 | 159,240 |
| Other receivables | | |
| Accrued interest receivable | 214,742 | 182,915 |
| Prepaid taxes | 24,381 | 23,585 |
| Dividend income receivable | - | 4,456 |
| | 297,929 | 370,196 |

The maturity pattern of loans and receivables follows:

| | 2023 | 2022 |
|---------------------------------------|---------|---------|
| Due in one year or less | 298,523 | 309,446 |
| Due after one year through five years | - | 60,750 |
| | 298,523 | 370,196 |

Term loans represent debts issued by certain Philippine corporations. The term loans carry annual interest rates is 6.28% (2022 - 6.14% to 6.28%).

All loans and receivables are unsecured as at December 31, 2023 and 2022.

Interest income earned on term loans for the year ended December 31, 2023 amounts to P4,252 (2022 - P47,088; 2021 - P170,566).

7 Management and distribution fees payable

The account at December 31 consists of management and distribution fees payable to:

| | Note | 2023 | 2022 |
|-----------------|------|--------|--------|
| Related parties | 14 | 23,081 | 25,390 |
| Third parties | | 4,180 | 3,898 |
| | | 27,261 | 29,288 |

8 Other liabilities

The account at December 31 consists of:

| | 2023 | 2022 |
|-------------------------|-------|-------|
| Withholding tax payable | 4,197 | 4,613 |
| Others | - | 864 |
| | 4,197 | 5,477 |

The amounts have been paid in the subsequent month after the reporting date.

9 Income taxes

The reconciliation between income tax expense at the statutory tax rate to the actual income tax expense shown in the statements of comprehensive income follows:

| | 2023 | 2022 | 2021 |
|---|-----------|----------|----------|
| Income before income tax | 1,661,278 | 640,673 | 602,586 |
| Income tax at statutory rate of 25% | 415,320 | 160,168 | 150,646 |
| Tax effects of: | | | |
| Interest income subjected to lower tax rate | (70,757) | (52,719) | (37,718) |
| Tax-exempt income | | | |
| Dividend income | (10,625) | (14,061) | (36,934) |
| Fair value (gains) losses, net | (55,759) | 185,685 | 124,423 |
| Unrecognized net operating loss carryover (NOLCO) | 101,791 | 44,413 | 71,142 |
| Effective income tax | 379,970 | 323,486 | 271,559 |

The details of the Fund's unused NO CO at December 1 are as follows

| Year of Incurrence | Year of Expiration | 2023 | 2022 |
|--------------------|--------------------|---------|----------|
| 2023 | 2026 | 407,164 | - |
| 2022 | 2025 | 177,648 | 177,648 |
| 2021 | 2026 | 284,569 | 284,569 |
| 2019 | 2022 | - | 48,091 |
| | | 869,381 | 510,308 |
| Expired NOLCO | | - | (48,091) |
| | | 869,381 | 462,217 |
| Income tax rate | | 25% | 25% |
| Unrecognized DTA | | 217,345 | 115,554 |

10 Redeemable shares

The details of the Fund's authorized shares as at December 31, 2023 and 2022 follow:

| | |
|---------------------|-------------|
| Number of shares | 400 million |
| Par value per share | P100 |
| Amount | P40 billion |

The movements in the Fund's redeemable shares (in thousands) for the years ended December 1 follow

| | 2023 | 2022 | 2021 |
|--|----------|----------|----------|
| Issued and outstanding shares, January 1 | 105,240 | 117,790 | 119,149 |
| Issuance of shares | 6,678 | 8,565 | 15,948 |
| Redemption of shares | (18,149) | (21,115) | (17,307) |
| Issued and outstanding shares, December 31 | 93,769 | 105,240 | 117,790 |

Details of issuances and redemptions of the Fund's redeemable shares for the years ended December 31 follow:

| | 2023 | 2022 | 2021 |
|-----------------------|-------------|-------------|-------------|
| Issuances of shares | 2,560,351 | 3,208,223 | 5,932,784 |
| Redemptions of shares | (6,968,718) | (7,907,953) | (6,437,264) |

As at December 31, 2023, the Fund has 23,612 shareholders (2022 - 25,213).

On November 1, 2020, the BOD and shareholders approved to increase the Fund's authorized share capital from 340 million shares to 1 billion shares with par value of P100 per share, which will be applied in tranches.

The summary of the Funds' track record of registration of authorized shares follows

| Shares | | Date of SEC Approval | |
|-------------|-------------|-------------------------------|-------------------------------------|
| From | To | Increase in Authorized Shares | Permit to Offer Securities for Sale |
| 2,000,000 | 10,000,000 | August 21, 1998 | December 4, 1998 |
| 10,000,000 | 20,000,000 | December 15, 1999 | February 29, 2000 |
| 20,000,000 | 50,000,000 | June 13, 2000 | July 13, 2000 |
| 50,000,000 | 70,000,000 | January 16, 2002 | March 11, 2002 |
| 70,000,000 | 90,000,000 | June 20, 2002 | August 15, 2002 |
| 90,000,000 | 120,000,000 | November 15, 2002 | December 17, 2002 |
| 120,000,000 | 170,000,000 | October 17, 2003 | December 11, 2003 |
| 170,000,000 | 200,000,000 | April 18, 2005 | September 5, 2005 |
| 200,000,000 | 268,000,000 | September 2, 2005 | September 15, 2005 |
| 268,000,000 | 340,000,000 | October 17, 2005 | November 29, 2005 |
| 340,000,000 | 400,000,000 | August 15, 2014 | June 29, 2016 |

Earnings per share

Earnings per share is calculated by dividing the net income by the weighted average number of outstanding redeemable shares and the corresponding shares for the amount of future share subscriptions received during the year, if any.

The information used in the computation of basic earnings for the years ended December 31 follows:

| | 2023 | 2022 | 2021 |
|---|-----------|---------|---------|
| Net income for the year | 1,281,308 | 317,187 | 331,027 |
| Weighted average number of shares outstanding during the year | 99,718 | 111,804 | 136,479 |
| Basic earnings per share | 12.85 | 2.84 | 2.43 |

The following are the features of redeemable shares:

- The shares have identical rights and privileges, including voting rights. Each share entitles the holder thereof to one vote at any meeting of shareholders of the Fund. Shareholders shall have cumulative voting rights for the election of the Fund's directors.
- Each shareholder of the Fund shall be entitled to require the Fund to purchase, but not in the event and to the extent that the Fund has no assets legally available for such purpose whether arising out of capital, paid-in surplus or other surplus, net profits or otherwise, all or any part of the shares outstanding in the name of such Shareholder in the books of the Fund, but only at the redemption price as of the valuation day on which a redemption order is made.
- Shareholders have no pre-emptive right.
- Dividends payable out of the surplus profits of the Fund may be declared at such time as the BOD shall determine. No dividend shall be declared which shall impair the capital of the Fund. Stock dividends may be declared in accordance with law. The Fund may pay dividends in cash, property or in additional shares.
- Shareholders have appraisal right.

11 Net Asset Value (NAV) for share subscriptions and redemptions

The consideration received or paid for redeemable shares issued or re-purchased, respectively, is based on the value of the Fund's NAV per share 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 Net Asset Value ("F S NAV").

In accordance with the provisions of the Fund's prospectus and risk management policy, the Fund sets up provision for market risk on its investment portfolio which is adjusted from the PFRS NAV to arrive at the Fund's NAV for purposes of share subscriptions and redemptions ("Trading NAV"). The policy, which has been adopted for the best interest of the Fund's investors, is designed to protect the Fund against sharp fluctuations, thereby allowing the Fund to meet its investment objective, which is to generate a steady stream of income through investments in a diversified portfolio of high-grade fixed-income instruments. The allowance for market risk shall be subject to the BOD's periodic review.

The movement in allowance for market risk follows:

| | 2023 | 2022 |
|---|---------|----------|
| At January 1 | 171,399 | 229,503 |
| Provision for (reversal of) market risk during the year | 6,624 | (58,104) |
| | 178,023 | 171,399 |

Reconciliation of the Fund's PFRS NAV to its trading NAV at December 31 is provided below

| | 2023 | 2022 |
|---|------------|------------|
| PFRS NAV | 36,826,016 | 39,953,075 |
| Reversal of creditable withholding tax | (24,381) | (23,585) |
| Recognition of transactions which were recorded in January 2023 | - | 20 |
| Allowance for market risk | (178,023) | (171,399) |
| Trading NAV | 36,623,612 | 39,758,111 |

In accordance with the provisions of the Fund's prospectus, financial assets at fair value through profit or loss are valued based on the last traded market prices in the computation of the NAV for purposes of share issuances and redemption ("Trading NAV").

The Fund computes its trading NAV per share by dividing the trading NAV as at reporting date by the number of issued and outstanding shares during the year including shares for issuances covered by deposits for future subscriptions, if any.

The trading NAV per share at December 31 is calculated as follows:

| | Note | 2023 | 2022 |
|--|------|------------|------------|
| Trading NAV | | 36,623,612 | 39,758,111 |
| Total issued and outstanding shares (in thousands) | 10 | 93,769 | 105,240 |
| Trading NAV per share | | 390.57 | 377.79 |

As disclosed in Note 1, the Fund is an open-end investment company which stands ready at any time to redeem its outstanding shares at a value defined under its prospectus (trading NAV). Any changes in the value of the shareholders' investment are reflected in the increase or decrease in the Fund's trading NAV.

12 Other income

The account for the years ended December 31 consists of:

| | 2023 | 2022 | 2021 |
|------------------------------|---------|---------|-----------|
| Foreign exchange (loss) gain | (5,555) | 99,357 | (333,146) |
| Exit fees | 194 | 7,035 | 3,416 |
| | (5,361) | 106,392 | (329,730) |

Exit fees pertain to fees earned from the redemption of securities held for not more than 90 days.

13 Management, distribution and other professional fees

The account for the years ended December 31 consists of:

| | Note | 2023 | 2022 | 2021 |
|--------------------------------------|------|---------|---------|---------|
| Management and distribution fees to: | | | | |
| Related parties | 14 | 332,956 | 371,783 | 408,625 |
| Third parties | | 49,975 | 46,950 | 36,013 |
| Other professional fees | | 10,639 | 3,091 | 2,007 |
| | | 393,570 | 421,824 | 446,645 |

14 Related party transactions

As at December 31, 2022, BIMl was the fund manager and transfer agent of the Fund. In consideration of the services, the Fund pays BIMl a fee of not more than 1.00% per annum of the Fund's average daily trading NAV.

Effective April 1, 2023, BIMl transferred all its rights, interests, and obligations as fund manager and advisor of the Fund to BPI Wealth. Hence, on effective date, the management function over the Fund is performed by BPI Wealth. Meanwhile, BIMl retained the distribution and transfer agency functions.

BPI Wealth, as the fund manager, shall formulate and implement the investment strategy, provide and render management, technical, and administrative services, whereby authorizing BPI Wealth to purchase and sell investment securities for the account of the Fund. As investment advisor, BPI Wealth is tasked to render services which include investment research and advice; the preparation of economic, industry, market, corporate, and security analyses; and assistance and recommendations in the formulation of investment guidelines. In consideration for the above services, the Fund pays BPI Wealth a fee of not more than 0.50% per annum of the Fund's Trading NAV, net of distribution fees payable to designated distributors and licensed sales agents.

As at December 31, 2022, the Fund has distribution agreements with subsidiaries of Bank of the Philippines Islands (BPI), namely, BIMl and BPI Capital Corporation (BPI Capital). Under the terms of the agreement, BIMl and BPI Capital are appointed as co-distributors to perform principally all related daily functions in connection with the marketing and the growth of the level of assets of the Fund for a fee of 0.50% p.a. based on the outstanding daily balance of the Fund's shares distributed. Such agreements were effective year after year unless terminated by each party.

Effective April 1, 2023, the Fund has appointed BIMl as principal distributor with the authority to appoint sub-distributors on behalf of the fund. Under the terms of the agreement, BIMl and/or its sub-distributors perform daily functions related to the marketing and the growth of the level of assets of the Fund. The sub-distributors are composed of BPI, BPI Capital and BIMl. As compensation for the services rendered, BIMl shall be entitled to a distribution fee equivalent to 0.45% per annum based on the trading NAV of the Fund, net of sub-distribution fees to designated sub-distributors / licensed sales agents.

The table below summarizes the Fund's transactions and balances with its related parties

| December 31, 2023 | Transactions | Outstanding balances | Terms and conditions |
|----------------------------------|--------------|-------------------------|--|
| Management and distribution fees | | | |
| BPI Wealth | 219,786 | 20,373 | The outstanding balance is unsecured, unguaranteed, non-interest bearing and payable in cash a month after the management and distribution fees are incurred. The amounts have been paid in the subsequent month after the reporting date. |
| BIMI | 113,170 | 2,708 | |
| BPI Capital | - | - | |
| | 332,956 | 23,081 | |
| December 31, 2022 | Transactions | Outstanding balances | Terms and conditions |
| Management and distribution fees | | | |
| BIMI | 371,783 | 25,390 | The outstanding balance is unsecured, unguaranteed, non-interest bearing and payable in cash a month after the management and distribution fees are incurred. The amounts have been paid in the subsequent month after the reporting date. |
| BPI Capital | - | - | |
| | 371,783 | 25,390 | |
| December 31, 2021 | Transactions | Outstanding balances | Terms and conditions |
| Management and distribution fees | | | |
| BIMI | 408,573 | 32,249 | The outstanding balance is unsecured, unguaranteed, non-interest bearing and payable in cash a month after the management and distribution fees are incurred. The amounts have been paid in the subsequent month after the reporting date. |
| BPI Capital | 52 | 3 | |
| | 408,625 | 32,252 | |

The directors and officers of the Fund are entitled to receive a per diem allowance in the amount of P30,000 (in absolute amount) for every Board meeting attended. Excluded in the payment of per diem allowances are directors and officers of the Fund who are also officers of the Fund Manager. For the year ended December 31, 2023, total remunerations paid, net of tax, to directors and officers amount to P1,163 (2022 - P1,147; 2021 - P615) and is presented as part of management, distribution, and other professional fees in the statements of comprehensive income. As at reporting date, there were no outstanding balances related to these fees.

15 Custodian agreements

The Fund has custodian agreements with Citibank, N.A (“Citibank”) and Bank of New York (BONY) for custodial services of the Fund’s proprietary assets and/or assets owned in the Philippines. The Fund pays Citibank and BONY a monthly custodian fee based on mark-to-market value of securities in custody. As at December 31, 2023, the market value of securities in custody of Citibank and BONY amounts to P12,299,441 (2022 - P12,978,357).

Custodian fee for the year ended December 31, 2023 amounts to P7,393 (2022 - P14,069; 2021 - P8,993).

16 Critical accounting estimates and judgments

Estimates, assumptions, and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The accounting judgments that have significant risks of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Classification of investment securities

The Fund follows the guidance of PFRS 9 in classifying financial assets at initial recognition whether it will be subsequently measured at fair value through other comprehensive income, at amortized cost, or at fair value through profit or loss. The Fund determines the classification based on the contractual cash flow characteristics of the securities and on the business model it uses to manage these securities. The Fund determines whether the contractual cash flows associated with the securities are solely payments of principal and interest on the principal amount outstanding.

Impairment of financial assets at amortized cost (Notes 2, 3, 5 and 6)

Under PFRS 9, the measurement of the expected credit loss (ECL) allowance for financial assets measured at amortized cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as: (a) determining criteria for significant increase in credit risk; (b) choosing appropriate models and assumptions for the measurement of ECL; (c) establishing the number and relative weightings of forward-looking scenarios and the associated ECL; and (d) establishing groups of similar financial assets for purposes of measuring ECL.

The Fund measures ECL using probability of default, exposure at default and loss given default on its financial assets at amortized cost. Management considers both historical analysis and forward-looking information in determining any ECL. As a result, the Fund recognized an allowance for impairment amounting to P10.73 million as at December 31, 2023 (2022 - nil) based on the 12-month ECL.

17 Financial risk and capital management

17.1 Strategy in using financial instruments

The Fund’s activities expose it to a variety of financial risks – interest rate risk, price risk, credit risk and liquidity risk. The Fund’s assets and liabilities are denominated in Philippine peso with limited short-term investments in US Dollar; hence, the Fund’s exposure to foreign exchange risk is very minimal. 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 financial risks is carried out by the Fund Manager under policies approved by the BOD of the Fund. The BOD approves written principles for overall risk management as well as written policies covering specific areas. Any prospective investment is limited to the type of investments described in the prospectus of the Fund thereby limiting risk exposure of the Fund to the risk inherent on investments approved by the investors. The Fund also monitors and adheres to regulatory limits and restrictions to mitigate risks.

The Fund has established risk management functions with clear terms of reference and with the responsibility for developing policies on financial risks. It also supports the effective implementation of policies. The policies define the Fund's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets to the corporate goals and specify reporting requirements.

The Fund's objective is to achieve a steady stream of income by investing in a diversified portfolio of Philippine Peso denominated high-grade fixed income instruments, such as but not limited to, government securities, corporate notes and bonds, and fixed income funds and to outperform its composite benchmark, 75% of the 91-day Philippine T-Bill, net of tax and 25% BPI Philippine Government Bond 1-5 Year Index.

17.2 Interest rate risk

The Fund trades in financial instruments, taking positions in traded and over-the-counter instruments, to take advantage of short-term market movements primarily in the bond markets. Trading positions are reported at estimated market value with changes reflected in profit or loss. Trading positions are subject to various risk factors, which include primarily exposures to changes in interest rates.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Fund takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates primarily on its fair value interest rate risk.

The Fund's fair value interest rate risk exposure principally relates to debt securities classified as financial assets at fair value through profit or loss whose market values fluctuate as a result of changes in interest rates or factors specific to the issuer. The Fund's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Fund Manager moderates this risk through a careful selection of securities and other financial instruments within specified limits. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Fund's overall market positions are monitored on a daily basis by the Fund Manager and are reviewed on a monthly basis by the BOD.

The Fund's fair value interest rate risk is managed through diversification of the investment portfolio ratios by exposures. The Fund is also actively managed via portfolio duration management, yield curve positioning, credit diversification, portfolio quality and liquidity management.

The Fund also sets up a provision for market risk on its investment portfolio which is adjusted from the Fund's net asset value to protect the Fund from market price fluctuations (see Note 11). To estimate its exposure to market risk, the Fund Manager computes the statistical "value at risk" (VAR) of its investments. The VAR measurement estimates the maximum loss due to adverse market movements that could be incurred by a portfolio during a given holding period with a given level of confidence. The Fund Manager uses a one month holding period, estimated as the number of days required to liquidate the investment portfolio, and a 99% degree of confidence in the computation of VAR. As such, there remains 1% statistical probability that the portfolios' actual loss could be greater than the VAR estimate.

As at December 31, 2023, the Fund's monthly VAR with respect to market interest rate volatilities amounts to P126 million (2022 - P182 million).

17.3 Price risk

The Fund trades in equity securities to take advantage of short-term market movements in the equity markets. Trading positions are reported at estimated market value with changes reflected in profit or loss. Trading positions are subject to the risk of loss arising from adverse movement in equity securities share prices. All investment securities present a risk of loss of capital. The Fund Manager moderates this risk through a careful selection of listed equity securities within specified limits. The maximum risk resulting from its investment in equity securities is determined by the fair value of the equity securities. The Fund's overall market positions are monitored on a daily basis by the Fund Manager and are reviewed on a quarterly basis by the BOD.

The Fund's policy in its investment in equity securities is to concentrate in sectors where management believes the Fund can maximize the returns derived for level of risk to which the Fund is exposed.

The Fund's equity securities are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Fund's market price risk is managed through diversification of the investment portfolio ratios by exposures.

If the investment in equity securities of the Fund have strengthened/weakened by 0.34% (2022 - 0.21%) based on the volatility of the Fund for the past one year with all other variables held constant, net income and equity would have been approximately P13.8 million (2022 - P18.8 million) higher/lower mainly due to mark-to-market fluctuations of equity securities.

17.4 Credit risk

The Fund manages the level of credit risk it accepts through setting up of exposure limits by each counterparty or group of counterparties. The maximum investment of the Fund in any single enterprise shall not exceed an amount equivalent to fifteen percent (15%) of the Fund's net asset value except obligations of the Philippine government or its instrumentalities, provided that in no case shall the total investment of the Fund exceed ten percent (10%) of the outstanding securities of any one investee company. Credit risk is also minimized through diversification or by investing in a variety of investments belonging to different sectors or industries.

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

| | 2023 | 2022 |
|---|------------|------------|
| Cash and cash equivalents | 628,691 | 2,068,984 |
| Short-term investments | 1,000,000 | 1,000,000 |
| Financial assets at fair value through profit or loss | 5,079,142 | 5,796,931 |
| Investment securities at amortized cost, net | 29,851,712 | 29,855,533 |
| Loans and receivables | 297,929 | 370,196 |
| | 36,857,474 | 39,091,644 |

As at December 31, 2023 and 2022, the Fund's financial assets as shown above are fully performing. There were no renegotiated financial assets as at December 31, 2023 and 2022.

The Fund invests primarily in high-grade investment instruments and securities. Details of ratings of the Fund's investments at December 1 based on external credit rating agencies are as follows:

| | Fair value through profit or loss | Loans and receivables | Investment securities at amortized cost, net |
|----------------|--------------------------------------|--------------------------|--|
| 2023 | | | |
| <i>S&P</i> | | | |
| BBB+ | 5,079,142 | - | 7,280,727 |
| BBB | - | - | 999,665 |
| BBB- | - | - | 2,648,526 |
| <i>Moody's</i> | | | |
| Aa2 | - | - | - |
| Baa1-Baa3 | - | - | 2,509,318 |
| Unrated | - | 297,929 | 16,413,476 |
| | 5,079,142 | 297,929 | 29,851,712 |
| 2022 | | | |
| <i>S&P</i> | | | |
| BBB+ | 5,004,931 | - | - |
| BBB | - | - | 1,511,000 |
| BBB- | - | - | 2,000,000 |
| <i>Moody's</i> | | | |
| Aa2 | - | - | - |
| Baa1-Baa3 | - | - | 10,233,518 |
| Unrated | 1,688,196 | 370,196 | 16,111,015 |
| | 6,693,127 | 370,196 | 29,855,533 |

Unrated investments and loans and receivables are from counterparties with no history of default with the Fund.

The Fund's cash in bank was placed with a reputable local universal bank with solid financial standing while its short-term investments and cash equivalents composed of short-term time deposits were placed with reputable local universal banks and a thrift bank with solid financial standing.

17.5 Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable shares. In accordance with the Fund's policy, the Fund Manager monitors the Fund's liquidity position on a daily basis to ensure that excess cash positions are invested in fixed-income securities and redemptions are funded within the prescribed period indicated in the Fund's prospectus.

The Fund also manages its liquidity by investing predominantly in securities that it expects to be able to liquidate within 7 days or less. It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Fund's financial assets at fair value through profit or loss and cash and cash equivalents can be liquidated within 7 days from transaction date.

Furthermore, the Fund has the ability to borrow in the short term to settle its obligations when necessary. No such borrowings have arisen in 2023 and 2022.

The Fund's financial liabilities pertain to management and distribution fees payable which are contractually due in less than one (1) month. The Fund expects to settle its obligations in accordance with their contractual maturity dates.

17.6 Capital management

The capital of the Fund is represented by total equity as shown in the statement of financial position. The Fund's BOD and the Fund Manager monitor capital on the basis of the Fund's total net asset value or total equity. The Fund's total net asset value or total equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of shareholders.

The Fund's objectives when managing capital are as follows

- (i) Safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders;
- (ii) Maintain a strong capital base to support the development of the investment activities of the Fund; and
- (iii) Comply with the minimum subscribed and paid-in capital of P50 million required for investment companies under the Investment Company Act of 1960.

As at December 31, 2023 and 2022, the Fund is in compliance with the minimum required capital for investment companies.

In order to maintain or adjust the capital structure, the Fund's policies consist of the following

- (i) Monitor the level of daily subscriptions and redemptions relative to the assets it expects to be able to liquidate within 7 days; and
- (ii) redeem and issue new shares in accordance with the Fund's prospectus, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

17.7 Fair value estimation

The following table presents the fair value hierarchy of the Fund's assets and liabilities measured at fair value at December 31:

| 2023 | Fair value | | |
|---|------------|---------|---------|
| | Level 1 | Level 2 | Level 3 |
| Financial assets at fair value through profit or loss | | | |
| Government securities | 5,079,142 | - | - |
| Unit investment trust funds | - | - | - |
| Listed equity securities | - | - | - |
| | 5,079,142 | - | - |

| 2022 | Fair value | | |
|---|------------|---------|---------|
| | Level 1 | Level 2 | Level 3 |
| Financial assets at fair value through profit or loss | | | |
| Government securities | 6,693,127 | - | - |
| Unit investment trust funds | - | - | - |
| Listed equity securities | - | - | - |
| | 6,693,127 | - | - |

The fair value of investment securities at amortized cost, net at December 31, 2023 amounts to P29,857,038 (2022 - P28,696,963). The fair value of investment securities at amortized cost, net is based on market prices or broker/dealer price quotations and classified under Level 1 of the fair value hierarchy. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

The fair value of term loan under loans and receivables as at December 31, 2023 amounts to P58,806 (2022 - P159,240) and classified under Level 2 of the fair value hierarchy. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine the fair value.

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

There were no transfers between the fair value hierarchy during the years ended December 31, 2023 and 2022.

18 Summary of material accounting policies

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

18.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial and Sustainability Reporting Standards Council (formerly known as the Financial Reporting Standards Council) and adopted by the SEC.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of these financial statements in conformity with PFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. There are no areas where assumptions and estimates are significant to the financial statements of the Fund as at reporting date. The areas involving a higher degree of judgment or complexity are disclosed in Note 16.

Changes in accounting policy and disclosures

(a) Amendments to existing standards adopted by the Fund

The following amendments to existing standards have been adopted by the Fund effective January 1, 2023:

Amendments to PAS1, '*Presentation of Financial Statements*', and PFRS Practice Statement 2

The amendment requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, PFRS Practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The adoption of this amendment resulted to changes in the accounting policies disclosure in Note 18 series.

(a) New standards, interpretations and amendments not yet adopted

There are no other new standards, amendments to existing standards, or interpretations that are effective for annual periods beginning on or after January 1, 2023 that are considered relevant or expected to have a material effect on the financial statement of the Fund.

18.2 Financial assets

18.2.1 Recognition and initial measurement

Financial assets are recognized when the Fund 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. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Transaction costs that are directly attributable to the acquisition of financial assets at fair value through profit or loss are expensed immediately at initial recognition.

18.2.2 Classification and subsequent measurement

The Fund classifies its financial assets in the following measurement categories: at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) and at amortized cost.

As at December 31, 2023 and 2022, the Fund has no financial assets under FVOCI category.

The classification for debt and equity instruments are described below:

Debt instruments

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 (S + I), and that are not designated at fair value through profit or loss, 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 cash and cash equivalents, short-term investments, investment securities at amortized cost, net and loans and receivables.

Deposits held at call with banks and short-term highly liquid investments are presented as cash equivalents with maturities of three months or less from the date of acquisition.
- *Fair value through profit or loss (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 fair value through profit or loss. A gain or loss on a debt security that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statements of comprehensive income under 'Income (losses) from financial assets at fair value through profit or loss' in the period in which it arises.

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 fair value through profit or loss. 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 solely payments of principal and interest (the 'S + I 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 fair value through profit or loss.

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

The Fund subsequently measures all equity investments at fair value through profit or loss, except where the Fund's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. 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 part of 'Income (losses) from financial assets at fair value through profit or loss' when the Fund's right to receive payments is established. Gains and losses on equity investments at fair value through profit or loss are included in 'Income (losses) from financial assets at fair value through profit or loss' in the statements of comprehensive income.

18.2.3 Impairment

The Fund assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost. The Fund recognizes a loss allowance for such losses at each reporting date. 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.

Credit impaired financial assets

Financial assets are assessed for credit impairment at each balance sheet date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the debtor is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the debtor or economic conditions that correlate with defaults. An asset that is in Stage 3 (non performing) will move back to Stage 2 (under performing) when, as at reporting date, it is no longer considered to be credit-impaired. The asset will transfer back to Stage 1 (fully performing) when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, and when there is sufficient evidence to support full collection of principal and interest due. Prior to the transfer to Stage 1, the asset should have exhibited both the quantitative and qualitative indicators of probable collection.

When a financial asset has been identified as credit-impaired, ECL are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and unwithdrawn components, ECL also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument.

When a financial asset is credit impaired, interest ceases to be recognized on the regular accrual basis, which accrues income based on gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortized cost of the asset, which is the gross carrying amount less related allowance for impairment. Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment.

Impairment of other financial assets

The Fund applies the PFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for other financial assets.

To measure the ECL, other financial assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of receivables over a period of 36 months before reporting dates and corresponding historical credit losses experienced within this period. The forward-looking information on macroeconomic factors are considered insignificant in calculating impairment of other financial assets.

18.3 Financial liabilities

Classification and measurement

The Fund classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss and financial liabilities at amortized cost.

Financial liabilities at fair value through profit or loss comprise two sub-categories: financial liabilities classified as held for trading and financial liabilities designated by the Fund as at fair value through profit or loss 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. Financial liabilities designated at fair value through profit or loss are those that are not classified as held-for-trading but are managed and their performance is evaluated on a fair value basis. Gains and losses arising from changes in fair value are included in profit or loss. The Fund has no financial liabilities that are classified at fair value through profit loss as at December 31, 2023 and 2022.

Financial liabilities that are not classified as at fair value through profit or loss fall into the second category and are initially recognized at fair value plus transaction costs. After initial measurement, these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities measured at amortized cost include management and distribution fees payable.

Derecognition of financial liabilities

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

18.4 Redeemable shares

The shares issued by the Fund are redeemable at the holder's option and are classified as equity. The consideration received for the issuance of shares is based on NAV per share at the transaction date. The amount of consideration pertaining to the par value of the shares issued is recognized as redeemable shares and the excess of the consideration received over the par value is recognized as share premium.

The Fund classifies puttable financial instruments that meet the definition of a financial liability as equity where certain strict criteria are met. Those criteria include: (i) the puttable instruments must entitle the holder to a pro-rata share of net assets; (ii) the puttable instruments must be the most subordinated class and the features of that class must be identical; (iii) there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and (iv) the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer. Should the redeemable shares' terms or conditions change such that they do not comply with those criteria, the redeemable shares 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 shares can be put back to the Fund at any time for cash equal to the Fund's trading NAV per share (Note 11) calculated in accordance with the Fund's prospectus. The excess of redemption amount over the par value of shares redeemed are first applied against the related share premium and then to the related retained earnings.

18.5 Foreign currency transactions and translation

Functional and presentation currency

Subscriptions and redemptions of the Fund's redeemable shares are denominated in Philippine peso ("peso"). The primary activity of the Fund is to invest in Peso-denominated high-grade fixed income instruments. The BOD considers the Peso as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions of the Fund. The financial statements are presented in peso, which is the Fund's functional and presentation currency.

18.6 Income tax

The tax expense for the period comprises current and deferred tax.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which 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 primarily earns interest income from its investment in debt securities, cash and cash equivalents and short-term investments which are subject to final withholding tax. Such income is presented gross of taxes paid or withheld and the related tax is presented in the statements of comprehensive income as income tax expense. Sale of financial assets at fair value through profit or loss is tax exempt if maturity period of related debt instrument is more than 5 years and taxable if maturity period of related debt instrument is 5 years or less. Sale of listed equity securities is subject to other percentage tax.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss.

DTA are recognized for all deductible temporary differences and carry-forward of unused tax losses (net operating loss carryover or NOLCO) to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The Fund reassesses at each reporting date the need to recognize a previously unrecognized DTA.

Deferred income tax liabilities are provided on taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except where the timing of the reversal of the temporary differences is controlled by the Fund and it is probable that the temporary difference will not reverse in the foreseeable future.

19 Supplementary information required by the Bureau of Internal Revenue

Below is the additional information required by RR No. 15-2010 that is relevant to the Fund. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

Documentary stamp tax

Total documentary stamp taxes on share subscriptions for the year ended December 31, 2023 amount to P6,367 which was paid already as at year-end.

Withholding taxes

Withholding taxes for the year ended December 31, 2023 amount to P50,577, of which P4,197 is outstanding at December 31, 2023 and is lodged under other liabilities in the statement of financial position.

All other local and national taxes

All other local and national taxes paid for the year ended December 31, 2023 consist of:

| | Amount |
|--|--------|
| Business permits and other related taxes | 3,649 |
| Community tax | 11 |
| | 3,660 |

The above local and national taxes, including documentary stamp tax, are lodged under taxes and licenses in expenses in the statements of comprehensive income.

There are no other local and national taxes accrued as at December 31, 2023.

Tax cases and assessments

As at December 31, 2023, open taxable years are 2023, 2022, and 2021. The Fund has not received any Final Assessment Notice from the BIR. The Fund is also not a party to any outstanding tax case with the BIR.

Others

The Fund did not have transactions that are subject to value added tax, excise taxes, and custom duties and tariff.

ALFM Peso Bond Fund, Inc.

Reconciliation of Retained Earnings Available for Dividend Declaration

For the year ended December 31, 2023

(All amounts in thousands of Philippine Peso)

| | |
|---|-------------------|
| Unappropriated Retained Earnings, beginning of the year/period | 27,792,474 |
| Add: Category A: Items that are directly credited to | |
| Unappropriated retained earnings | |
| Reversal of Retained earnings appropriation/s | - |
| Effect of restatements or prior-period adjustments | - |
| Others (describe nature) | - |
| Less: Category B: Items that are directly debited to | |
| Unappropriated retained earnings | |
| Dividend declaration during the reporting period | - |
| Retained earnings appropriated during the reporting period | - |
| Effect of restatements or prior-period adjustments | - |
| Others (describe nature) | - |
| Unappropriated Retained Earnings, as adjusted | 27,792,474 |
| Add/Less: Net Income (loss) for the current year/period | 1,281,308 |
| Less: Category C.1: Unrealized income recognized in the profit or loss during the year/period (net of tax) | |
| Equity in net income of associate/joint venture, net of dividends declared | - |
| Unrealized foreign exchange gain, except those attributable to cash and cash equivalents | - |
| Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL) | 127,255 |
| Unrealized fair value gain of investment property | - |
| Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature) | - |
| | 127,255 |

ALFM Peso Bond Fund, Inc.**Reconciliation of Retained Earnings Available for Dividend Declaration**

For the year ended December 31, 2023

| | | | |
|--|--------|---|------------------|
| Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax) | | - | |
| Realized foreign exchange gain, except those attributable to Cash and cash equivalents | | - | |
| Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL) | 52,649 | | |
| Realized fair value gain of Investment property | | - | |
| Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature) | | - | 52,649 |
| Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax) | | - | |
| Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents | | - | |
| Reversal of previously recorded fair value adjustment (mark-to- market gains) of financial instruments at fair value through profit or loss (FVTPL) | | - | |
| Reversal of previously recorded fair value gain of investment property | | - | |
| Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature) | | - | - |
| Adjusted net income/loss | | | 1,206,702 |
| Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax) | | | |
| Depreciation on revaluation increment (after tax) | | | - |
| Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP | | | |
| Amortization of the effect of reporting relief | | - | |
| Total amount of reporting relief granted during the year | | - | |
| Others (describe nature) | | - | - |

ALFM Peso Bond Fund, Inc.**Reconciliation of Retained Earnings Available for Dividend Declaration**

For the year ended December 31, 2023

| | | |
|--|-------------|--------------------|
| Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution | | |
| Net movement of treasury shares (except for reacquisition of redeemable shares) | - | |
| Net movement of deferred tax asset not considered in the reconciling items under the previous categories | - | |
| Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable | - | |
| Adjustment due to deviation from PFRS/GAAP - gain (loss) | - | |
| Others (describe nature): | | |
| Redemption of redeemable shares | (1,782,965) | (1,782,965) |

| | | |
|---|--|-------------------|
| Total Retained Earnings, end of the year/period available for dividend declaration | | 27,216,211 |
|---|--|-------------------|

ALFM Peso Bond Fund, Inc.

As at December 31, 2023

Annex A - Financial Assets

(All amounts in thousands of Philippine Peso except for number of shares)

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds and notes | Amount shown in the statement of financial position | Value based on market quotation | Income received and accrued |
|---|---|---|---------------------------------|-----------------------------|
| <i>Cash and cash equivalents</i> | | | | |
| <i>Time deposits</i> | | | | |
| BPIB-XTDT 20230103 | 608,000 | 608,000 | 608,000 | |
| | 608,000 | 608,000 | 608,000 | |
| <i>Cash in bank</i> | | | | |
| | | 20,691 | 20,691 | |
| TOTAL CASH AND CASH EQUIVALENTS | 608,000 | 628,691 | 628,691 | 89,528 |
| <i>Short-term investments</i> | | | | |
| <i>Time deposits</i> | | | | |
| BANKO-TD 20240522 | 500,000 | 500,000 | 500,000 | |
| BANKO-TD 20240531 | 500,000 | 500,000 | 500,000 | |
| TOTAL SHORT-TERM INVESTMENTS | 1,000,000 | 1,000,000 | 1,000,000 | 50,247 |
| <i>Fair value through profit or loss (FVTPL)</i> | | | | |
| <i>Government securities</i> | | | | |
| FXTN7-64 20280422 | 1,500,000 | 1,401,378 | 1,401,378 | |
| FXTN20-17 20310719 | 900,000 | 1,013,660 | 1,013,660 | |
| RTBOND515 20270304 | 1,000,000 | 980,871 | 980,871 | |
| FXTN10-65 20300709 | 650,000 | 567,893 | 567,893 | |
| FXTN10-64 20290110 | 500,000 | 529,068 | 529,068 | |
| RTBOND517 20280822 | 500,000 | 507,194 | 507,194 | |
| FXTN5-77 20260408 | 50,000 | 48,171 | 48,171 | |
| FXTN07-65 20280812 | 27,670 | 25,986 | 25,986 | |
| FXTN25-01 20251129 | 4,130 | 4,918 | 4,918 | |
| RTBOND151 20261020 | 3 | 3 | 3 | |
| TOTAL FVTPL | 5,131,803 | 5,079,142 | 5,079,142 | 240,591 |

ALFM Peso Bond Fund, Inc.
As at December 31, 2023
Annex A - Financial Assets
(All amounts in thousands of Philippine Peso except for number of shares)
Page 2

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds and notes | Amount shown in the statement of financial position | Value based on market quotation | Income received and accrued |
|---|--|---|---------------------------------------|-----------------------------------|
| <i>Investments at amortized cost</i> | | | | |
| <i>Corporate debts</i> | | | | |
| AC-BOND 20250210 | 1,333,250 | 1,331,566 | 1,331,637 | |
| AEV-BOND 20270806 | 1,200,000 | 1,199,911 | 1,199,990 | |
| BPI-BOND 20240131 | 1,100,000 | 1,099,367 | 1,099,839 | |
| BDO-BOND 20240128 | 1,050,000 | 1,049,326 | 1,049,951 | |
| AEV-BOND 20280809 | 1,000,000 | 999,926 | 999,999 | |
| AEV-BOND 20330921 | 1,000,000 | 999,926 | 999,992 | |
| DBP-BOND 20241104 | 1,000,000 | 999,665 | 999,998 | |
| RCBC-BOND20240521 | 1,000,000 | 999,129 | 999,996 | |
| SECB-BOND20240120 | 1,000,000 | 999,463 | 999,991 | |
| SMPH-BOND20260726 | 840,000 | 839,920 | 839,994 | |
| FB-BOND 20250310 | 690,000 | 689,949 | 690,002 | |
| APC-BOND 20270703 | 581,000 | 582,699 | 582,131 | |
| CNVR-BOND20270408 | 550,000 | 549,959 | 549,997 | |
| CHIB-BOND20240218 | 511,000 | 510,726 | 510,977 | |
| RLC-BOND 20280630 | 500,000 | 499,952 | 500,000 | |
| SMPH-BOND20290523 | 500,000 | 499,952 | 499,977 | |
| EDC-BOND 20260625 | 475,100 | 475,065 | 475,098 | |
| RLC-BOND 20270826 | 450,000 | 449,957 | 449,993 | |
| ACEN-BOND20270922 | 445,730 | 445,567 | 445,727 | |
| GTCAP-BND20240807 | 424,250 | 424,389 | 424,408 | |
| SMPH-BOND20240901 | 381,660 | 381,645 | 381,657 | |
| AEV-BOND 20260607 | 313,300 | 313,311 | 313,332 | |
| ALI-BOND 20280505 | 305,100 | 304,936 | 304,983 | |
| ALI-BOND 20330626 | 300,000 | 299,978 | 299,999 | |
| BPI-BOND 20240730 | 300,000 | 299,900 | 299,996 | |
| PCOR-BOND20240419 | 300,000 | 299,958 | 299,994 | |
| SMPH-BOND20270422 | 300,000 | 299,972 | 299,982 | |
| ALI-BOND 20240704 | 242,450 | 242,433 | 242,449 | |
| AC-BOND 20260528 | 238,000 | 237,993 | 237,998 | |
| SMPH-BOND20281115 | 230,000 | 227,336 | 227,729 | |
| ALI-BOND 20270704 | 227,000 | 226,983 | 226,999 | |
| SMPH-BOND20251123 | 225,000 | 224,680 | 224,713 | |
| DNL-BOND 20260914 | 224,100 | 223,725 | 223,754 | |
| ALI-BOND 20250504 | 220,750 | 220,617 | 220,699 | |
| MNTC-BOND20240331 | 214,800 | 214,791 | 214,801 | |
| BPI-BOND 20250513 | 200,000 | 199,933 | 199,997 | |
| SMC-BOND 20270304 | 200,000 | 199,906 | 200,001 | |
| SMIC-BOND20250218 | 190,000 | 189,986 | 189,996 | |
| AC-BOND 20270526 | 184,990 | 184,958 | 184,967 | |
| FLI-BOND 20270601 | 150,000 | 149,958 | 150,003 | |
| FLI-BOND 20250623 | 120,720 | 120,686 | 120,719 | |
| SMPH-BOND20250301 | 100,000 | 99,776 | 99,810 | |
| <i>forward</i> | | | | |

ALFM Peso Bond Fund, Inc.
As at December 31, 2023
Annex A - Financial Assets
(All amounts in thousands of Philippine Peso except for number of shares)
Page 3

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds and notes | Amount shown in the statement of financial position | Value based on market quotation | Income received and accrued |
|--|---|---|---------------------------------|-----------------------------|
| <i>forwarded</i> | | | | |
| FLI-BOND 20270623 | 86,830 | 86,806 | 86,829 | |
| ALI-BOND 20331010 | 61,755 | 63,510 | 63,157 | |
| AC-BOND 20250526 | 55,000 | 54,998 | 54,999 | |
| ALI-BOND 20270502 | 22,000 | 22,388 | 22,378 | |
| FB-BOND 20270310 | 10,000 | 9,999 | 10,000 | |
| | 21,053,785 | 21,047,576 | 21,051,638 | |
| <i>Government securities</i> | | | | |
| FXTN10-6820320623 | 1,500,000 | 1,500,000 | 1,499,980 | |
| RTBOND51520270304 | 1,000,000 | 1,000,000 | 1,000,006 | |
| ROP-GPN 20360114 | 544,000 | 589,171 | 587,353 | |
| FXT7-69 20300427 | 500,000 | 500,000 | 499,969 | |
| RTBOND51620280307 | 500,000 | 500,000 | 500,005 | |
| RTBOND51720280822 | 500,000 | 500,000 | 499,991 | |
| FXTN07-6720290519 | 500,000 | 495,351 | 495,353 | |
| FXTN25-0320310126 | 334,000 | 434,241 | 433,622 | |
| FXTN03-0120260204 | 350,000 | 350,200 | 350,200 | |
| FXTN25-0120251129 | 285,000 | 343,128 | 342,569 | |
| FXTN2011 20251020 | 210,000 | 233,082 | 233,077 | |
| FXT10-71 20330817 | 172,790 | 171,131 | 171,149 | |
| FXTN25-0220300728 | 100,000 | 134,096 | 133,880 | |
| FXTN25-7 20350930 | 110,000 | 129,213 | 129,136 | |
| FXTN25-5 20321129 | 105,000 | 124,361 | 124,094 | |
| FXTN25-0420311005 | 70,000 | 85,581 | 85,079 | |
| FXTN25-6 20341105 | 62,000 | 76,952 | 76,093 | |
| FXTN10-6920320915 | 50,000 | 50,064 | 50,064 | |
| FXTN10-7020321020 | 20,000 | 21,195 | 21,131 | |
| FXTN20-2520421124 | 15,000 | 16,964 | 16,944 | |
| FXT25-8 20351216 | 15,000 | 16,659 | 16,658 | |
| FXTN07-6220260214 | 8,400 | 8,433 | 8,411 | |
| FXTN2014 20270906 | 500 | 556 | 553 | |
| FXTN20-1620300527 | 300 | 349 | 348 | |
| | 6,951,990 | 7,280,727 | 7,275,665 | |
| <i>Other securities and debt instruments</i> | | | | |
| TFSP-NOTE20240204 | 480,000 | 478,049 | 480,000 | |
| TFSP-NOTE20240504 | 450,000 | 448,171 | 450,000 | |
| TFS-NOTE 20250425 | 450,000 | 447,799 | 449,737 | |
| TFS-NOTE 20260125 | 150,000 | 149,390 | 149,998 | |
| | 1,530,000 | 1,523,409 | 1,529,735 | |
| TOTAL INVESTMENTS AT AMORTIZED COST | 29,535,775 | 29,851,712 | 29,857,038 | 1,422,543 |

ALFM Peso Bond Fund, Inc.
As at December 31, 2023
Annex A - Financial Assets
(All amounts in thousands of Philippine Peso except for number of shares)
Page 4

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds and notes | Amount shown in the statement of financial position | Value based on market quotation | Income received and accrued |
|--|---|---|---------------------------------|-----------------------------|
| <i>Loans and Receivables</i> | | | | |
| DMCH-FXNK 20240228 | 58,806 | 58,806 | 58,806 | |
| TOTAL LOANS AND RECEIVABLES | 58,806 | 58,806 | 58,806 | 4,252 |

As at December 31, 2023

Annex B - Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)

NOTHING TO REPORT

ALFM Peso Bond Fund, Inc.

As at December 31, 2023

Annex C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

| Name and designation of debtor | Balance at beginning of period | Additions | Amount collected | Amount written-off | Current | Non-current | Balance at end of period |
|--------------------------------|--------------------------------|-----------|------------------|--------------------|---------|-------------|--------------------------|
| NOT APPLICABLE | | | | | | | |

ALFM Peso Bond Fund, Inc.

As at December 31, 2023

Annex D - Long-Term Debt

| Title of issue and type of obligation | Amount authorized by indenture | Amount shown under caption "Current portion of long-term debt" in the related statement of financial position | Amount shown under caption "long-term debt" in the related statement of financial position |
|---------------------------------------|--------------------------------|---|--|
| NOTHING TO REPORT | | | |

ALFM Peso Bond Fund, Inc.

As at December 31, 2023

Annex E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
(All amounts in Philippine Peso)

| Name of related party | Balance of beginning of period | Balance at end of period |
|-----------------------|--------------------------------|--------------------------|
| NOTHING TO REPORT | | |
| | | |

ALFM Peso Bond Fund, Inc.
As at December 31, 2023
Annex F - Guarantees of Securities of Other Issuers

| Name of issuing entity of securities guaranteed by the Fund for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount owned by person for which statement is filed | Nature of guarantee |
|---|---|---|---|---------------------|
|---|---|---|---|---------------------|

NOTHING TO REPORT

ALFM Peso Bond Fund, Inc.

As at December 31, 2023

Annex G - Capital Stock

| Title of issue | Number of shares authorized | Number of shares issued and outstanding as shown under related caption in the statement of financial position | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by related parties | Directors, officers and employees | Others |
|----------------------|-----------------------------------|---|---|--|---|------------|
| Redeemable shares | 400,000,000 | 93,769,170 | - | 4,301,097 | 34,674 | 89,433,399 |

| | |
|--|--------------------------------|
| Control No.: _____ | |
| Form Type: PHFS1 | |
| SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES | |
| NAME OF CORPORATION: ALFM PESO BOND FUND, INC. | |
| CURRENT ADDRESS: 7/F BPI BUENDIA CENTER, SEN. GIL J. PUYAT AVENUE, MAKATI CITY | |
| TEL. NO.: (632) 580-3573 | FAX NO.: (632) 580-4682 |
| COMPANY TYPE : INVESTMENT COMPANY | PSIC: 6691 |

| Table 1. Balance Sheet | | |
|--|----------------------|----------------------|
| FINANCIAL DATA | 2023 (in P'000) | 2022 (in P'000) |
| A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6) | 36,857,474 | 39,987,840 |
| A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5) | 6,946,956 | 9,973,067 |
| A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3) | 628,691 | 2,068,984 |
| A.1.1.1 On hand | | |
| A.1.1.2 In domestic banks/entities | 628,691 | 2,068,984 |
| A.1.1.3 In foreign banks/entities | | |
| A.1.2 Financial Assets other than Cash/Trade Receivables/investments accounted for using the Equity Method (A.1.2.1 + A.1.2.2 + A.1.2.3 + A.1.2.4) | 6,079,142 | 7,693,127 |
| A.1.2.1 Short-term placements or investments in securities issued by domestic entities: (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4 + A.1.2.1.5) | 1,000,000 | 1,000,000 |
| A.1.2.1.1 National Government | | |
| A.1.2.1.2 Public Financial Institutions | | |
| A.1.2.1.3 Public Non-Financial Institutions | | |
| A.1.2.1.4 Private Financial Institutions | 1,000,000 | 1,000,000 |
| A.1.2.1.5 Private Non-Financial Institutions | | |
| A.1.2.2 Short-term placements or investments in securities issued by foreign entities | | |
| A.1.2.3 Others, specify | 5,079,142 | 6,693,127 |
| Financial assets at fair value through profit or loss | 5,079,142 | 6,693,127 |
| | | |
| | | |
| | | |
| A.1.2.4 Allowance for decline in market value (negative entry) | | |
| A.1.3 Trade and Other Receivables (A.1.3.1 + A.1.3.2) | 239,123 | 210,956 |
| A.1.3.1 Due from domestic entities (A.1.3.1.1 + A.1.3.1.2 + A.1.3.1.3 + A.1.3.1.4) | 239,123 | 210,956 |
| A.1.3.1.1 Due from customers (trade) | | |
| A.1.3.1.2 Due from related parties | | |
| A.1.3.1.3 Others, specify | 239,123 | 210,956 |
| Accrued interest receivable | 214,742 | 182,915 |
| Dividend income receivable | | 4,456 |
| Prepaid Taxes | 24,381 | 23,585 |
| Securities sold receivable | | |
| A.1.3.1.4 Allowance for doubtful accounts/bad debts/probable losses (negative entry) | | |
| A.1.3.2 Due from foreign entities, specify (A.1.3.2.1 + A.1.3.2.2 + A.1.3.2.3 + A.1.3.2.4 + A.1.3.2.5) | 0 | 0 |
| A.1.3.2.1 | | |
| A.1.3.2.2 | | |
| A.1.3.2.3 | | |
| A.1.3.2.4 | | |
| A.1.3.2.5 Allowance for doubtful accounts/bad debts/probable losses (negative entry) | | |
| A.1.4 Inventories (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4 + A.1.4.5 + A.1.4.6) | 0 | 0 |
| A.1.4.1 Raw materials and supplies | | |
| A.1.4.2 Goods in process (including unfinished goods, growing crops, unfinished seeds) | | |
| A.1.4.3 Finished goods/factory supplies | | |
| A.1.4.4 Merchandise/Goods in transit | | |
| A.1.4.5 Labor and other costs of personnel (in case of service providers) | | |
| A.1.4.6 Revaluation surplus (includes spoilage, losses due to fire and changes in prices) | | |
| A.1.5 Other Current Assets | 0 | 0 |

NOTE:

This special form is applicable to Investment Companies and Publicly-held Companies enumerated in Section 17.2 of the Securities Regulation Code (SRC), except banks, insurance, and public utility companies. Parent Companies shall submit their individual Audited Financial Statements and Consolidated Financial Statements using supplemental form PHFS2.

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: **ALFM PESO BOND FUND, INC.**
 CURRENT ADDRESS: **7/F BPI BUENDIA CENTER, SEN. GIL J. PUYAT AVENUE, MAKATI CITY**
 TEL. NO.: **(632) 580-3573** FAX NO.: **(632) 580-4682**
 COMPANY TYPE : **INVESTMENT COMPANY** PSIC: **6691**

Table 1. Balance Sheet

| FINANCIAL DATA | | 2023 (in P'000) | 2022 (in P'000) |
|--|--|-----------------------------|-----------------------------|
| A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7) | | 0 | 0 |
| A.2.1 Land (incl. land for future plant expansion, unused land and improvements) | | | |
| A.2.2 Building and improvements including leasehold improvement | | | |
| A.2.3 Machinery and equipment (on hand and in transit) | | | |
| A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery equipment | | | |
| A.2.5 Others, specify | | | |
| | | | |
| | | | |
| | | | |
| A.2.6 Appraisal increase, specify | | | |
| | | | |
| | | | |
| A.2.7 Accumulated Depreciation (negative entry) | | | |
| A.3 Investments excluding that which is recorded in current assets(net of allowance for decline in value) (A.3.1 + A.3.2 + A.3.3 + A.3.4) | | 29,851,712 | 29,855,533 |
| A.3.1 Equity in domestic subsidiaries/affiliates | | | |
| A.3.2 Equity in foreign branches/subsidiaries/affiliates | | | |
| A.3.3 Others, specify | | 29,851,712 | 29,855,533 |
| Investment securities at amortized cost | | 29,851,712 | 29,855,533 |
| | | | |
| A.3.4 Allowance for decline in market value (negative entry) | | | |
| A.4 Intangible Assets | | | 0 |
| A.5 Long-term receivables | | 58,806 | 159,240 |
| A.5.1 Long-term receivables (net of current portion) (A.5.1 + A.5.2 + A.5.3) | | 58,806 | 159,240 |
| A.5.1.1 From domestic entities, specify | | 58,806 | 159,240 |
| Term loans | | 58,806 | 159,240 |
| | | | |
| | | | |
| A.5.1.2 From foreign entities, specify | | 0 | 0 |
| | | | |
| | | | |
| A.5.1.3 Allowance for doubtful accounts, net of current portion (negative entry) | | | |
| A.6 Other Assets (A.6.1 + A.6.2 + A.6.3 + A.6.4) | | 0 | 0 |
| A.6.1 Deferred charges - net of amortization | | | |
| A.6.2 Advance/Miscellaneous deposits | | | |
| A.6.3 Others, specify | | 0 | 0 |
| | | | |
| | | | |
| | | | |
| A.6.4 Allowance for write-down of deferred charges (negative entry) | | | |
| B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5 + B.6) | | 31,458 | 34,765 |
| B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3) | | 31,458 | 34,765 |
| B.1.1 Trade and Other Payables to Domestic Entities (B.1.1.1 + B.1.1.2 + B.1.1.3 + B.1.1.4 + B.1.1.5 + B.1.1.6) | | 31,458 | 34,765 |
| B.1.1.1 Trade Payables | | | |
| B.1.1.2 Payables to Subsidiaries | | | |
| B.1.1.3 Payables to Related Parties | | 23,081 | 25,390 |
| B.1.1.4 Advances from Directors, Officers, Employees and Principal Stockholders | | | |
| B.1.1.5 Accruals | | 4,197 | 4,613 |
| B.1.1.6 Deposits for future subscriptions | | 0 | 0 |

| | |
|---|--------------------------------|
| Control No.: _____ | |
| Form Type: <u>PHFS1</u> | |
| SPECIAL FORM FOR CONSOLIDATED FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES | |
| NAME OF CORPORATION: <u>ALFM PESO BOND FUND, INC.</u> | |
| CURRENT ADDRESS: <u>7/F BPI BUENDIA CENTER, SEN. GIL J. PUYAT AVENUE, MAKATI CITY</u> | |
| TEL. NO.: <u>(632) 580-3573</u> | FAX NO.: <u>(632) 580-4682</u> |
| COMPANY TYPE : <u>INVESTMENT COMPANY</u> | PSIC: <u>6691</u> |

| Table 1. Balance Sheet | | |
|--|----------------------|----------------------|
| FINANCIAL DATA | 2023 (in P'000) | 2022 (in P'000) |
| B.1.1.7 Others, specify | 4,180 | 4,762 |
| Management fee payable to third parties | 4,180 | 3,898 |
| Capital shares redeemed payable | | |
| Others | 0 | 864 |
| B.1.2 Trade and Other Payables to Foreign Entities, specify | 0 | 0 |
| | | |
| | | |
| | | |
| B.1.3 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions) | 0 | 0 |
| Dividends declared and not paid at balance sheet date | | |
| Acceptances Payable | | |
| Liabilities under Trust Receipts | | |
| Portion of Long-term Debt Due within one year | | |
| Deferred Income | | |
| Any other current liability in excess of 5% of Total Current Liabilities, specify: | 0 | 0 |
| | | |
| | | |
| | | |
| B.2 Tax Liabilities and Assets | | |
| B.3 Provisions | | |
| B.4 Long-term Debt - Non-current Interest-bearing Liabilities (B.4.1 + B.4.2 + B.4.3 + B.4.4 + B.4.5) | 0 | 0 |
| B.4.1 Domestic Public Financial Institutions | | |
| B.4.2 Domestic Public Non-Financial Institutions | | |
| B.4.3 Domestic Private Financial Institutions | | |
| B.4.4 Domestic Private Non-Financial Institutions | | |
| B.4.5 Foreign Financial Institutions | | |
| B.5 Indebtedness to Affiliates and Related Parties (Non-Current) | | |
| B.6 Other Liabilities (B.6.1 + B.6.2) | 0 | 0 |
| B.6.1 Deferred Income Tax | | |
| B.6.2 Others, specify | 0 | 0 |
| | | |
| | | |
| | | |
| C. MINORITY INTEREST | | 0 |
| D. EQUITY (D.3 + D.4 + D.5 + D.6 + D.7 + D.8 + D.9) | 36,826,016 | 39,953,075 |
| D.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (D.1.1+D.1.2+D.1.3) | 40,000,000 | 40,000,000 |
| D.1.1 Common shares <u>400,000,000; P100</u> | 40,000,000 | 40,000,000 |
| D.1.2 Preferred Shares | | |
| D.1.3 Others | | |
| D.2 Subscribed Capital Stock (no. of shares, par value and total value) (D.2.1 + D.2.2 + D.2.3) | | |
| D.2.1 Common shares | | |
| D.2.2 Preferred Shares | | |
| D.2.3 Others | | |
| D.3 Paid-up Capital Stock (D.3.1 + D.3.2) | 9,376,917 | 10,524,057 |
| D.3.1 Common shares | 9,376,917 | 10,524,057 |
| D.3.2 Preferred Shares | | |
| D.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus | 0 | 1,478,262 |
| D.5 Others, specify | 0 | 0 |
| | | |
| | | |
| | | |
| D.6 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus | | 0 |
| D.7 Retained Earnings (D.7.1 + D.7.2) | 27,449,099 | 27,950,756 |
| D.7.1 Appropriated | | |
| D.7.2 Unappropriated | 27,449,099 | 27,950,756 |
| D.8 Head / Home Office Account (for Foreign Branches only) | | |
| D.9 Cost of Stocks Held in Treasury (negative entry) | | |
| TOTAL LIABILITIES AND EQUITY (B + C + D) | 36,857,474 | 39,987,840 |

Control No.:

Form Type: PHFS1

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: ALFM PESO BOND FUND, INC.

CURRENT ADDRESS: 7/F BPI BUENDIA CENTER, SEN. GIL J. PUYAT AVENUE, MAKATI CITY

TEL. NO.: (632) 580-3573

FAX NO.: (632) 580-4682

COMPANY TYPE : INVESTMENT COMPANY

PSIC: 6691

Table 2. Income Statement

| FINANCIAL DATA | 2023 (in P'000) | 2022 (in P'000) | 2021 (in P'000) |
|---|----------------------|----------------------|----------------------|
| A. REVENUE / INCOME (A.1 + A.2 + A.3) | 2,084,171 | 1,099,448 | 1,086,353 |
| A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity) | | | |
| A.2 Other Revenue (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5) | 0 | 0 | 0 |
| A.2.1 Rental Income from Land and Buildings | | | |
| A.2.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity) | | | |
| A.2.3 Sale of Real Estate | | | |
| A.2.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.) | | | |
| A.2.5 Others, specify | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| A.3 Other Income (non-operating) (A.3.1 + A.3.2 + A.3.3 + A.3.4) | 2,084,171 | 1,099,448 | 1,086,353 |
| A.3.1 Interest Income | 1,566,570 | 1,387,503 | 1,532,688 |
| A.3.2 Dividend Income | | | |
| A.3.3 Gain / (Loss) from selling of Assets, specify | 522,962 | (394,447) | (116,605) |
| Gains (losses) from financial assets at fair value through profit or loss, net | 522,962 | (394,447) | (116,605) |
| | | | |
| | | | |
| A.3.4 Others, specify | (5,361) | 106,392 | (329,730) |
| Gain / (Loss) on Foreign Exchange | (5,555) | 99,357 | (333,146) |
| Exit fees | 194 | 7,035 | 3,416 |
| | | | |
| | | | |
| B. COST OF GOODS SOLD (B.1 + B.2 + B.3) | 0 | 0 | 0 |
| B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5) | 0 | 0 | 0 |
| B.1.1 Direct Material Used | | | |
| B.1.2 Direct Labor | | | |
| B.1.3 Other Manufacturing Cost / Overhead | | | |
| B.1.4 Goods in Process, Beginning | | | |
| B.1.5 Goods in Process, End (negative entry) | | | |
| B.2 Finished Goods, Beginning | | | |
| B.3 Finished Goods, End (negative entry) | | | |
| C. COST OF SALES (C.1 + C.2 + C.3) | 0 | 0 | 0 |
| C.1 Purchases | | | |
| C.2 Merchandise Inventory, Beginning | | | |
| C.3 Merchandise Inventory, End (negative entry) | | | |
| D. GROSS PROFIT (A - B - C) | 2,084,171 | 1,099,448 | 1,086,353 |

Control No.:

Form Type: PHFS1

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: ALFM PESO BOND FUND, INC.

CURRENT ADDRESS: 7/F BPI BUENDIA CENTER, SEN. GIL J. PUYAT AVENUE, MAKATI CITY

TEL. NO.: (632) 580-3573

FAX NO.: (632) 580-4682

COMPANY TYPE : INVESTMENT COMPANY

PSIC: 6691

Table 2. Income Statement

| FINANCIAL DATA | 2023 (in P'000) | 2022 (in P'000) | 2021 (in P'000) |
|---|-----------------------------|-----------------------------|-----------------------------|
| E. OPERATING EXPENSES (E.1 + E.2 + E.3 + E.4) | 422,893 | 458,775 | 483,767 |
| E.1 Selling or Marketing Expenses | | | |
| E.2 Administrative Expenses | | | |
| E.3 General Expenses | | | |
| E.4 Other Expenses, specify | 422,893 | 458,775 | 483,767 |
| Management, distribution and other professional fees | 393,570 | 421,824 | 446,645 |
| Taxes and licenses | 10,027 | 12,573 | 21,592 |
| Custodian fee | 7,393 | 14,069 | 8,993 |
| Others | 11,903 | 10,309 | 6,537 |
| | | | |
| F. FINANCE COSTS (F.1 + F.2 + F.3) | 0 | 0 | 0 |
| F.1 Interest | | | |
| F.2 Amortization | | | |
| F.3 Other interests, specify | | | |
| | | | |
| | | | |
| | | | |
| G. Share of Income (Losses) of Associates and Joint Ventures accounted for using the Equity Method | | 0 | 0 |
| H. Net Income (Loss) Before Tax (D - E - F + G) | 1,661,278 | 640,673 | 602,586 |
| I. Income Tax Expense (negative entry) | 379,970 | 323,486 | 271,559 |
| J. Income After Tax | 1,281,308 | 317,187 | 331,027 |
| K. Minority Interest (negative entry) | 0 | 0 | 0 |
| L. Net Income (Loss - negative entry) from Ordinary Activities (J - K) | 1,281,308 | 317,187 | 331,027 |
| M. Extraordinary Items | 0 | 0 | 0 |
| N. Net Income (Loss - negative entry) for the Year (L + M) | 1,281,308 | 317,187 | 331,027 |
| 0 Earnings (Loss) Per Share | | | |
| O.1 Basic | 12.85 | 2.84 | 2.43 |
| O.2 Diluted | 12.85 | 2.84 | 2.43 |

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: ALFM PESO BOND FUND, INC.

CURRENT ADDRESS: 7/F BPI BUENDIA CENTER, SEN. GIL J. PUYAT AVENUE, MAKATI CITY

TEL. NO.: (632) 580-3573

FAX NO.: (632) 580-4682

COMPANY TYPE: INVESTMENT COMPANY

PSIC: 6691

Table 3. Cash Flow Statements

| FINANCIAL DATA | | 2023 (in P'000) | 2022 (in P'000) | 2021 (in P'000) |
|---|--|----------------------|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net Income (Loss) Before Tax and Extraordinary Items | | 1,661,278 | 640,673 | 602,586 |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities | | | | |
| Depreciation | | | | |
| Amortization, specify: Unrealized fair value losses (gains) on financial assets at fair value through profit or loss, net | | (169,673) | 384,485 | (543,925) |
| Others, specify: Interest income | | (1,807,161) | (1,667,171) | (1,736,804) |
| Interest received | | 1,534,744 | 1,440,303 | 1,568,091 |
| Income taxes paid | | (379,970) | (323,486) | (283,813) |
| Dividend income | | (42,499) | (56,246) | (147,735) |
| Dividend received | | 46,955 | 65,537 | 150,793 |
| Unrealized foreign exchange (gains) losses | | 1 | 8,839 | (11,730) |
| Write-down of Property, Plant, and Equipment | | | | |
| Changes in Assets and Liabilities: | | | | |
| Decrease (Increase) in: | | | | |
| Short term investments | | 0 | (1,000,000) | 0 |
| Financial assets at fair value through profit or loss | | 2,024,249 | 3,491,959 | (1,070,359) |
| Loans and receivables | | 99,637 | 1,076,633 | 1,315,136 |
| Others, specify: Investment securities at amortized cost | | 3,821 | 1,334,421 | (685,731) |
| Increase (Decrease) in: | | | | |
| Trade and Other Payables | | | | |
| Income and Other Taxes Payable | | | | |
| Others, specify: Management and distribution fees payable | | (2,027) | (3,039) | 35 |
| Withholding tax payable | | (1,280) | (625) | 1,045 |
| Custody fee payable | | 0 | 0 | 0 |
| A. Net Cash Provided by (Used in) Operating Activities (sum of above rows) | | 2,968,075 | 5,392,283 | 245,439 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| (Increase) Decrease in Long-Term Receivables | | | | |
| (Increase) Decrease in Investment | | | | |
| Reductions/(Additions) to Property, Plant, and Equipment | | | | |
| Others, specify: Cash Dividends | | | | |
| B. Net Cash Provided by (Used in) Investing Activities (sum of above rows) | | 0 | 0 | 0 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from: | | | | |
| Loans | | | | |
| Long-term Debt | | | | |
| Issuance of Shares | | 2,560,351 | 3,208,223 | 5,932,784 |
| Others, specify: | | | | |
| Payments of: | | | | |
| (Loans) | | | | |
| (Long-term Debt) | | | | |
| (Stock Subscriptions) | | | | |
| Others, specify (negative entry): | | | | |
| Redemption of shares | | (6,968,718) | (7,907,953) | (6,448,609) |
| C. Net Cash Provided by (Used in) Financing Activities (sum of above rows) | | (4,408,367) | (4,699,730) | (515,825) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C) | | (1,440,292) | 692,553 | (270,386) |
| D. Effects of Exchange Rate Changes on Cash & Cah Equivalents | | (1) | (8,839) | 11,730 |
| Cash and Cash Equivalents | | | | |
| Beginning of year | | 2,068,984 | 1,385,270 | 1,643,926 |
| End of year | | 628,691 | 2,068,984 | 1,385,270 |

| | |
|--|---|
| Control No.: _____ | |
| Form Type: <u>PHFS1</u> | |
| SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES | |
| NAME OF CORPORATION: | ALFM PESO BOND FUND, INC. |
| CURRENT ADDRESS: | 7/F BPI BUENDIA CENTER, SEN. GIL J. PUYAT AVENUE, MAKATI CITY |
| TEL. NO.: | (632) 580-3573 |
| FAX NO.: | (632) 580-4682 |
| COMPANY TYPE : | INVESTMENT COMPANY |
| PSIC: | 6691 |

Table 4. Statement of Changes in Equity

| FINANCIAL DATA | (Amount in P'000) | | | | | |
|---|-------------------|----------------------------|-----------------------|---------------------------------|-------------------|-------------|
| | Capital Stock | Additional Paid-in Capital | Revaluation Increment | Deposit for Future Subscription | Retained Earnings | TOTAL |
| A. Balance, 2021 | 11,779,059 | 4,924,429 | 0 | 0 | 27,632,130 | 44,335,618 |
| A.1 Correction of Fundamental Error | | | | | | |
| A.2 Changes in Accounting Policy | | | | | | |
| B. Restated Balance | 11,779,059 | 4,924,429 | 0 | 0 | 27,632,130 | 44,335,618 |
| B.1 Surplus (Deficit) on Revaluation of Properties | | | | | | |
| B.2 Surplus (Deficit) on Revaluation of Investments | | | | | | |
| B.3 Currency Translation Differences (negative entry) | | | | | | |
| C. Net Gains (Losses) not recognized in the Income | (1,255,002) | (3,446,167) | 0 | 0 | 318,625 | (4,382,544) |
| C.1 Net Income (Loss) for the Period | 0 | 0 | 0 | 0 | 317,187 | 317,187 |
| C.2 Dividends (negative entry) | | | | | | |
| C.3 Current Appropriation for Contingencies | | | | | | |
| C.4 Issuance/Redemption of Capital | | | | | | |
| C.4.1 Common Stock | (1,255,002) | (3,446,167) | 0 | 0 | 1,439 | (4,699,730) |
| C.4.2 Preferred Stock | | | | | | |
| C.4.3 Others- DFFS | | | | | | |
| D. Balance, 2022 | 10,524,057 | 1,478,262 | 0 | 0 | 27,950,756 | 39,953,075 |
| D.1 Correction of Fundamental Error | | | | | | |
| D.2 Changes in Accounting Policy | | | | | | |
| E. Restated Balance | 10,524,057 | 1,478,262 | 0 | 0 | 27,950,756 | 39,953,075 |
| E.1 Surplus (Deficit) on Revaluation of Properties | | | | | | |
| E.2 Surplus (Deficit) on Revaluation of Investments | | | | | | |
| E.3 Currency Translation Differences (negative entry) | | | | | | |
| F. Net Gains (Losses) not recognized in the Income | (1,147,140) | (1,478,262) | 0 | 0 | (501,657) | (3,127,059) |
| F.1 Net Income (Loss) for the Period | 0 | 0 | 0 | 0 | 1,281,308 | 1,281,308 |
| F.2 Dividends (negative entry) | | | | | | |
| F.3 Current Appropriation for Contingencies | | | | | | |
| F.4 Issuance/Redemption of Capital | | | | | | |
| F.4.1 Common Stock | (1,147,140) | (1,478,262) | 0 | 0 | (1,782,965) | (4,408,367) |
| F.4.2 Preferred Stock | | | | | | |
| F.4.3 Others- DFFS | | | | | | 0 |
| F. Balance, 2023 | 9,376,917 | 0 | 0 | 0 | 27,449,099 | 36,826,016 |

Table 4a. Statement of Recognized Gains and Losses

| FINANCIAL DATA | (Amount in P'000) | | |
|--|-------------------|----------------|----------------|
| | 2023 | 2022 | 2021 |
| A. Surplus (Deficit) on Revaluation of Properties | | | |
| B. Surplus (Deficit) on Revaluation of Investments | | | |
| C. Exchange Differences on Translation of the Financial Statements of Foreign Entities | | | |
| D. Net Gains (Losses) not recognized in the Income Statement | | | |
| E. Net Income for the Period | 1,281,308 | 317,187 | 331,027 |
| Total Recognized Gains (Losses) (A + B + C + D + E) | 1,281,308 | 317,187 | 331,027 |
| Effect of Changes in Accounting Policy | | | |

| ALFM PESO BOND FUND, INC. ATTACHMENT TO FINANCIAL STATEMENTS | | | | | | |
|---|----------------|-------------------------------|----------------------------|----------------|---|---|
| TOTAL ASSETS- January 1 to December 31, 2023 | | 36,857,474 | | | | |
| NET ASSET VALUE- January 1 to December 31, 2023 | | 36,826,016 | | | | |
| SECURITY NAME | MARKET VALUE | PERCENTAGE TO NET ASSET VALUE | PERCENTAGE TO TOTAL ASSETS | NO. OF SHARES | OUTSTANDING SECURITIES OF AN INVESTEE CO. | PERCENTAGE TO OUTSTANDING SECURITIES OF AN INVESTEE CO. |
| | (in thousands) | | | (in thousands) | (in thousands) | |
| CASH EQUIVALENTS: | | | | | | |
| BANKO-TD20240522940 | 500,000 | 1.36% | 1.36% | 500,000 | n/a | n/a |
| BANKO-TD20240531940 | 500,000 | 1.36% | 1.36% | 500,000 | n/a | n/a |
| BPIC-XTDT20240102940 | 608,000 | 1.65% | 1.65% | 608,000 | n/a | n/a |
| TOTAL CASH EQUIVALENTS | | 1,608,000 | | | | |
| Cash in Bank | 20,691 | | | | | |
| TOTAL CASH AND CASH EQUIVALENTS | | 1,628,691 | | | | |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS: | | | | | | |
| GOVERNMENT SECURITIES: | | | | | | |
| FXTN07-6520280812800 | 25,986 | 0.07% | 0.07% | 27,670 | 275,592,000 | 0.00% |
| FXTN10-6420290110800 | 529,068 | 1.44% | 1.44% | 500,000 | 355,000,000 | 0.00% |
| FXTN10-6520300709800 | 567,893 | 1.54% | 1.54% | 650,000 | 165,000,000 | 0.00% |
| FXTN20-1720310719800 | 1,013,660 | 2.75% | 2.75% | 900,000 | 255,837,150 | 0.00% |
| FXTN25-0120251129800 | 4,918 | 0.01% | 0.01% | 4,130 | 6,753,460 | 0.00% |
| FXTN5-7720260408800 | 48,171 | 0.13% | 0.13% | 50,000 | 282,188,000 | 0.00% |
| FXTN7-6420280422800 | 1,401,378 | 3.81% | 3.80% | 1,500,000 | 260,971,000 | 0.00% |
| FXTN15-1120261020800 | 3 | 0.00% | 0.00% | 3 | 55,143,960 | 0.00% |
| RTBOND51520270304800 | 980,871 | 2.66% | 2.66% | 1,000,000 | 457,798,870 | 0.00% |
| RTBOND51720280822800 | 507,194 | 1.38% | 1.38% | 500,000 | 283,763,658 | 0.00% |
| TOTAL GOVERNMENT SECURITIES | | 5,079,142 | | | | |
| TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | 5,079,142 | | | | |
| TERM LOANS: | | | | | | |
| DMCH-FXNK20240228888 | 58,806 | 0.16% | 0.16% | 58,806 | 52,557,801 | 0.11% |
| TOTAL TERM LOANS | | 58,806 | | | | |
| OTHER RECEIVABLES: | | | | | | |
| Accrued interest receivable | 214,742 | 0.58% | 0.58% | n/a | n/a | n/a |
| Dividend income receivable | - | 0.00% | 0.00% | n/a | n/a | n/a |
| Securities sold receivable | - | 0.00% | 0.00% | n/a | n/a | n/a |
| Prepaid Taxes | 24,381 | | | | | |
| TOTAL OTHER RECEIVABLES | | 239,123 | | | | |
| TOTAL LOANS AND RECEIVABLES | | 297,929 | | | | |
| INVESTMENT SECURITIES AT AMORTIZED COST | | | | | | |
| CORPORATE DEBTS: | | | | | | |
| AC-BOND20250210 | 1,331,566 | 3.62% | 3.61% | 1,333,250 | 10,000,000 | 2.36% |
| AEV-BOND20270806 | 1,199,911 | 3.26% | 3.26% | 1,200,000 | 5,071,350 | 6.64% |
| BPI-BOND20240131 | 1,099,367 | 2.99% | 2.98% | 1,100,000 | 27,000,000 | 1.91% |
| BDO-BOND20240128 | 1,049,326 | 2.85% | 2.85% | 1,050,000 | 52,700,000 | 1.22% |
| AEV-BOND20280809 | 999,926 | 2.72% | 2.71% | 1,000,000 | 5,000,000 | 6.64% |
| AEV-BOND20330921 | 999,926 | 2.72% | 2.71% | 1,000,000 | 5,807,910 | 6.64% |
| BBP-BOND20241104 | 999,665 | 2.71% | 2.71% | 1,000,000 | 12,000,000 | 3.50% |
| RCBC-BOND20240521 | 999,129 | 2.71% | 2.71% | 1,000,000 | 14,756,260 | 3.19% |
| SECB-BOND20240120 | 999,463 | 2.71% | 2.71% | 1,000,000 | 16,000,000 | 0.15% |
| SMPH-BOND20260726 | 839,920 | 2.28% | 2.28% | 840,000 | 10,000,000 | 3.05% |
| FB-BOND20250310 | 689,949 | 1.87% | 1.87% | 690,000 | 8,000,000 | 4.67% |
| APC-BOND20270703 | 582,699 | 1.58% | 1.58% | 581,000 | 3,000,000 | 5.67% |
| CNVR-BOND20270408 | 549,959 | 1.49% | 1.49% | 550,000 | 10,000,000 | 5.50% |
| CHIB-BOND20240218 | 510,726 | 1.39% | 1.39% | 511,000 | 20,000,000 | 2.56% |
| RLC-BOND20260630 | 499,952 | 1.36% | 1.36% | 500,000 | 9,000,000 | 3.17% |
| SMPH-BOND20290523 | 499,952 | 1.36% | 1.36% | 500,000 | 11,032,510 | 3.05% |
| EDC-BOND20260625 | 475,065 | 1.29% | 1.29% | 475,100 | 2,500,000 | 9.50% |

| ALFM PESO BOND FUND, INC. ATTACHMENT TO FINANCIAL STATEMENTS | | | | | | |
|---|-----------------|-------------------------------------|-------------------------------|----------------|---|--|
| TOTAL ASSETS- January 1 to December 31, 2022 | | 39,987,840 | | | | |
| NET ASSET VALUE- January 1 to December 31, 2022 | | 39,953,075 | | | | |
| SECURITY NAME | MARKET VALUE | PERCENTAGE TO NET ASSET VALUE | PERCENTAGE TO TOTAL ASSETS | NO. OF SHARES | OUTSTANDING SECURITIES OF AN INVESTEE CO. | PERCENTAGE TO OUTSTANDING SECURITIES OF AN INVESTEE CO. |
| | (in thousands) | | | (in thousands) | (in thousands) | |
| CASH EQUIVALENTS: | | | | | | |
| BPBIB-XTDT20230103 | 605,500 | 1.52% | 1.51% | 605,500 | n/a | n/a |
| CHIB-STD20230103 | 557,550 | 1.40% | 1.39% | 10,000 | n/a | n/a |
| RCBC-TDT 20230103 | 400,000 | 1.00% | 1.00% | 400,000 | n/a | n/a |
| SECB-TDT 20230106 | 500,000 | 1.25% | 1.25% | 500,000 | n/a | n/a |
| | | 0.00% | 0.00% | | n/a | n/a |
| | | 0.00% | 0.00% | | n/a | n/a |
| TOTAL CASH EQUIVALENTS | | 2,063,050 | | | | |
| Cash in Bank | | 5,934 | | | | |
| TOTAL CASH AND CASH EQUIVALENTS | | 2,068,984 | | | | |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS: | | | | | | |
| UNIT INVESTMENT TRUST FUNDS | | | | | | |
| STF LITF | 792,000 | 1.98% | 1.98% | 5,000 | 505,817 | 0.99% |
| | | 0.00% | 0.00% | | | |
| TOTAL UNIT INVESTMENT TRUST FUNDS | | 792,000 | | | | |
| PREFERRED SHARES: | | | | | | |
| ACPB1 | 530,446 | 1.33% | 1.33% | 1,110 | 20,000 | 5.55% |
| GTTPPA | 365,750 | 0.92% | 0.91% | 385 | 4,839 | 7.96% |
| TOTAL PREFERRED SHARES | | 896,196 | | | | |
| GOVERNMENT SECURITIES: | | | | | | |
| FXTN07-6520280812 | 25,034 | 0.06% | 0.06% | 27,670 | 103,627,000 | 0.03% |
| FXTN10-6420290110 | 522,872 | 1.31% | 1.31% | 500,000 | 275,592,000 | 0.18% |
| FXTN10-6520300709 | 534,632 | 1.34% | 1.34% | 650,000 | 57,907,886 | 1.12% |
| FXTN20-1720310719 | 984,892 | 2.47% | 2.46% | 900,000 | 185,000,000 | 0.49% |
| FXTN25-0120251129 | 5,243 | 0.01% | 0.01% | 4,130 | 165,000,000 | 0.00% |
| FXTN5-77 20260408 | 46,985 | 0.12% | 0.12% | 50,000 | 282,188,000 | 0.02% |
| FXTN7-64 20280422 | 1,358,486 | 3.40% | 3.40% | 1,500,000 | 229,971,000 | 0.65% |
| RTBOND15120261020 | 3 | 0.00% | 0.00% | 3 | 53,270,548 | 0.00% |
| RTBOND51420270602 | 568,667 | 1.42% | 1.42% | 600,000 | 360,025,370 | 0.17% |
| RTBOND51520270304 | 958,106 | 2.40% | 2.40% | 1,000,000 | 120,000,000 | 0.83% |
| | | 0.00% | 0.00% | | | |
| | | 0.00% | 0.00% | | | |
| | | 0.00% | 0.00% | | | |
| TOTAL GOVERNMENT SECURITIES | | 5,004,931 | | | | |
| TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | 6,693,127 | | | | |
| TERM LOANS: | | | | | | |
| DMCH-FXN20230129 | 98,490 | 0.25% | 0.25% | 99,000 | 12,394,250 | 0.80% |
| DMCH-FXNK20240228 | 60,750 | 0.15% | 0.15% | 60,750 | 12,394,250 | 0.49% |
| TOTAL TERM LOANS | | 159,240 | | | | |
| OTHER RECEIVABLES: | | | | | | |
| Accrued interest receivable | 182,915 | 0.46% | 0.46% | n/a | n/a | n/a |
| Dividend income receivable | 4,456 | 0.01% | 0.01% | n/a | n/a | n/a |
| Securities sold receivable | - | 0.00% | 0.00% | n/a | n/a | n/a |
| Prepaid Taxes | 23,585 | | | | | |
| TOTAL OTHER RECEIVABLES | | 210,956 | | | | |

| TOTAL ASSETS- January 1 to December 31, 2023 | | | | | | | 36,857,474 |
|---|--------------|-------------------------------|----------------------------|---------------|---|---|------------|
| NET ASSET VALUE- January 1 to December 31, 2023 | | | | | | | 36,826,016 |
| SECURITY NAME | MARKET VALUE | PERCENTAGE TO NET ASSET VALUE | PERCENTAGE TO TOTAL ASSETS | NO. OF SHARES | OUTSTANDING SECURITIES OF AN INVESTEE CO. | PERCENTAGE TO OUTSTANDING SECURITIES OF AN INVESTEE CO. | |
| RLC-BOND20270826 | 449,957 | 1.22% | 1.22% | 450,000 | 9,000,000 | 3.17% | |
| ACEN-BOND20270922 | 445,567 | 1.21% | 1.21% | 445,730 | 10,000,000 | 4.46% | |
| GTCP-BND20240807 | 424,389 | 1.15% | 1.15% | 424,250 | 4,000,000 | 0.28% | |
| SMHP-BOND20240901 | 381,645 | 1.04% | 1.04% | 381,660 | 2,601,700 | 3.05% | |
| AEV-BOND20226067 | 313,311 | 0.85% | 0.85% | 313,300 | 9,100,000 | 6.84% | |
| ALI-BOND20280505 | 304,936 | 0.83% | 0.83% | 305,100 | 12,000,000 | 2.38% | |
| ALI-BOND20330626 | 299,978 | 0.81% | 0.81% | 300,000 | 4,925,000 | 2.38% | |
| BPH-BOND20240730 | 299,900 | 0.81% | 0.81% | 300,000 | 20,300,000 | 1.91% | |
| PCOR-BOND20240419 | 299,958 | 0.81% | 0.81% | 300,000 | 13,200,000 | 2.27% | |
| SMHP-BOND20270422 | 299,972 | 0.81% | 0.81% | 300,000 | 10,918,010 | 3.05% | |
| ALI-BOND20240704 | 242,433 | 0.66% | 0.66% | 242,450 | 12,000,000 | 2.38% | |
| AC-BOND20260528 | 237,993 | 0.65% | 0.65% | 238,000 | 6,000,000 | 2.36% | |
| SMHP-BOND20281115 | 227,336 | 0.62% | 0.62% | 230,000 | 10,000,000 | 3.05% | |
| ALI-BOND20270704 | 226,983 | 0.62% | 0.62% | 227,000 | 7,000,000 | 2.38% | |
| SMHP-BOND20251123 | 224,680 | 0.61% | 0.61% | 225,000 | 16,030,980 | 3.05% | |
| DNL-BOND20260914 | 223,725 | 0.61% | 0.61% | 224,100 | 2,000,000 | 4.48% | |
| ALI-BOND20250504 | 220,617 | 0.60% | 0.60% | 220,750 | 10,000,000 | 2.38% | |
| MNTC-BOND20240331 | 214,791 | 0.58% | 0.58% | 214,800 | 2,600,000 | 3.25% | |
| BPH-BOND20250513 | 199,933 | 0.54% | 0.54% | 200,000 | 36,660,800 | 1.91% | |
| SMIC-BOND20270304 | 189,986 | 0.54% | 0.54% | 200,000 | 17,440,000 | 1.57% | |
| SMIC-BOND20250218 | 189,986 | 0.52% | 0.52% | 190,000 | 7,500,000 | 0.71% | |
| AC-BOND20270526 | 184,958 | 0.50% | 0.50% | 184,990 | 7,500,000 | 2.36% | |
| FLI-BOND20270601 | 149,958 | 0.41% | 0.41% | 150,000 | 11,430,800 | 1.53% | |
| FLI-BOND20250623 | 120,686 | 0.33% | 0.33% | 120,720 | 8,925,000 | 1.53% | |
| SMHP-BOND20250301 | 99,776 | 0.27% | 0.27% | 100,000 | 10,000,000 | 3.05% | |
| FLI-BOND20270623 | 86,806 | 0.24% | 0.24% | 86,830 | 2,975,000 | 1.53% | |
| ALI-BOND20331010 | 63,510 | 0.17% | 0.17% | 61,755 | 2,000,000 | 2.38% | |
| ALI-BOND20250526 | 54,908 | 0.15% | 0.15% | 55,000 | 5,000,000 | 2.36% | |
| ALI-BOND20270502 | 22,388 | 0.06% | 0.06% | 22,000 | 7,000,000 | 2.38% | |
| FB-BOND20270310 | 9,999 | 0.03% | 0.03% | 10,000 | 7,000,000 | 4.67% | |
| TOTAL CORPORATE BONDS | 21,047,576 | | | | | | |
| OTHER SECURITIES AND DEBT INSTRUMENTS: | | | | | | | |
| TFSP-NOTE20240204 | 478,049 | 1.30% | 1.30% | 480,000 | 104,591,259 | 1.46% | |
| TFSP-NOTE20240504 | 448,171 | 1.22% | 1.22% | 450,000 | 104,591,259 | 1.46% | |
| TFPS-NOTE 20250425 | 447,799 | 1.22% | 1.21% | 450,000 | 104,591,259 | 1.46% | |
| TFPS-NOTE 20260125 | 149,390 | 0.41% | 0.41% | 150,000 | 104,591,259 | 1.46% | |
| TOTAL OTHER SECURITIES AND DEBT INSTRUMENTS | 1,523,409 | | 0.00% | | | | |
| GOVERNMENT SECURITIES: | | | | | | | |
| FXTN10-6820320623 | 1,500,000 | 4.07% | 4.07% | 1,500,000 | 139,892,000 | 0.00% | |
| RTBOND5150270304 | 1,000,000 | 2.72% | 2.71% | 1,000,000 | 457,798,870 | 0.00% | |
| RGP-GPN20360114 | 588,171 | 1.60% | 1.60% | 544,000 | 54,770,000 | 0.00% | |
| FXTT-6920300427 | 500,000 | 1.36% | 1.36% | 500,000 | 50,000,000 | 0.00% | |
| RTBOND51620280307 | 500,000 | 1.36% | 1.36% | 500,000 | 420,448,618 | 0.00% | |
| RTBOND51720280822 | 500,000 | 1.36% | 1.36% | 500,000 | 283,763,658 | 0.00% | |
| FXTN07-6720290519 | 495,351 | 1.35% | 1.34% | 500,000 | 129,659,000 | 0.00% | |
| FXTN25-0220101126 | 434,241 | 1.18% | 1.18% | 334,000 | 11,796,190 | 0.00% | |
| FXTN03-0120260204 | 350,200 | 0.95% | 0.95% | 350,000 | 45,000,000 | 0.00% | |
| FXTN25-0120251129 | 343,128 | 0.93% | 0.93% | 285,000 | 6,753,460 | 0.00% | |
| FXTN2011120251020 | 233,082 | 0.63% | 0.63% | 210,000 | 4,652,600 | 0.00% | |
| FXTN10-7120330817 | 171,131 | 0.46% | 0.46% | 172,790 | 140,000,000 | 0.12% | |
| FXTN25-0220300728 | 134,096 | 0.36% | 0.36% | 100,000 | 7,057,500 | 0.00% | |
| FXTN25-720350930 | 129,213 | 0.35% | 0.35% | 110,000 | 190,150,600 | 0.00% | |
| FXTN25-520321129 | 124,361 | 0.34% | 0.34% | 105,000 | 49,088,960 | 0.00% | |
| FXTN25-0420311005 | 85,581 | 0.23% | 0.23% | 70,000 | 7,832,540 | 0.00% | |
| FXTN25-620341105 | 76,952 | 0.21% | 0.21% | 62,000 | 103,842,100 | 0.00% | |
| FXTN10-6920320915 | 50,064 | 0.14% | 0.14% | 50,000 | 263,586,000 | 0.00% | |
| FXTN10-7020231020 | 21,195 | 0.06% | 0.06% | 20,000 | 35,000,000 | 0.00% | |
| FXTN25-2520421124 | 16,964 | 0.05% | 0.05% | 15,000 | 101,597,000 | 0.00% | |
| FXT25-620351216 | 16,659 | 0.05% | 0.05% | 15,000 | 211,010,040 | 0.00% | |
| FXTN07-6220260214 | 8,433 | 0.02% | 0.02% | 8,400 | 232,791,000 | 0.00% | |
| FXTN201420270906 | 556 | 0.00% | 0.00% | 500 | 61,458,930 | 0.00% | |
| FXTN20-1620300527 | 349 | 0.00% | 0.00% | 300 | 73,408,750 | 0.00% | |
| Total | 7,280,727 | | | | | | |
| TOTAL INVESTMENT SECURITIES AT AMORTIZED COST | 29,851,712 | | | | | | |
| INVESTMENT IN LIQUID OR SEMI-LIQUID ASSETS: | | | | | | | |
| GOVERNMENT SECURITIES | 12,359,869 | 33.56% | 33.53% | n/a | n/a | n/a | |
| CASH AND CASH EQUIVALENTS | 628,691 | 1.71% | | n/a | n/a | n/a | |
| SHORT-TERM INVESTMENTS | 1,000,000 | 2.72% | 2.71% | n/a | n/a | n/a | |
| | 13,988,560 | | | | | | |
| TOTAL OPERATING EXPENSES | | | | | | | |
| AVERAGE NET ASSET VALUE- January 1 to December 31, 2023 | | | | | | | 36,284,450 |
| | AMOUNT | PERCENTAGE TO NET ASSET VALUE | | | | | |
| MANAGEMENT, DISTRIBUTION AND OTHER PROFESSIONAL FEES | 393,570 | 1.03% | | | | | |
| TAXES AND LICENSES | 10,027 | 0.03% | | | | | |
| CUSTODIAN FEES | 7,393 | 0.02% | | | | | |
| OTHERS | 11,903 | 0.03% | | | | | |
| | 422,893 | | | | | | |

| TOTAL ASSETS- January 1 to December 31, 2022 | | 39,987,840 | | | | | |
|---|--------------|-------------------------------|----------------------------|---------------|---|---|-----|
| NET ASSET VALUE- January 1 to December 31, 2022 | | 39,953,075 | | | | | |
| SECURITY NAME | MARKET VALUE | PERCENTAGE TO NET ASSET VALUE | PERCENTAGE TO TOTAL ASSETS | NO. OF SHARES | OUTSTANDING SECURITIES OF AN INVESTEE CO. | PERCENTAGE TO OUTSTANDING SECURITIES OF AN INVESTEE CO. | |
| TOTAL LOANS AND RECEIVABLES | | 370,196 | | | | | |
| INVESTMENT SECURITIES AT AMORTIZED COST | | | | | | | |
| CORPORATE DEBTS: | | | | | | | |
| AC-BOND 20230707 | 578,570 | 1.45% | 1.45% | 578,570 | 10,000,000 | 5.79% | |
| AC-BOND 20250210 | 1,306,028 | 3.27% | 3.27% | 1,306,150 | 10,000,000 | 13.08% | |
| AC-BOND 20250526 | 55,000 | 0.14% | 0.14% | 55,000 | 6,000,000 | 0.92% | |
| AC-BOND 20260528 | 238,000 | 0.60% | 0.60% | 238,000 | 10,000,000 | 2.38% | |
| AC-BOND 20270526 | 183,990 | 0.46% | 0.46% | 183,990 | 5,071,350 | 3.63% | |
| ACEN-BOND20270922 | 445,730 | 1.12% | 1.11% | 445,730 | 5,000,000 | 8.91% | |
| AEV-BOND 20260607 | 300,000 | 0.75% | 0.75% | 300,000 | 10,000,000 | 3.00% | |
| AEV-BOND 20270806 | 1,200,000 | 3.00% | 3.00% | 1,200,000 | 7,000,000 | 17.14% | |
| AEV-BOND 20280809 | 1,000,000 | 2.50% | 2.50% | 1,000,000 | 10,000,000 | 10.00% | |
| ALI-BOND 20240704 | 242,450 | 0.61% | 0.61% | 242,450 | 2,000,000 | 12.12% | |
| ALI-BOND 20250604 | 217,726 | 0.54% | 0.54% | 217,750 | 3,000,000 | 7.26% | |
| ALI-BOND 20270502 | 22,450 | 0.06% | 0.06% | 22,000 | 3,000,000 | 0.73% | |
| ALI-BOND 20270704 | 227,000 | 0.57% | 0.57% | 227,000 | 9,600,000 | 2.36% | |
| ALI-BOND 20280427 | 22,876 | 0.06% | 0.06% | 22,000 | NA | NA | |
| ALI-BOND 20280505 | 300,000 | 0.75% | 0.75% | 300,000 | NA | NA | |
| ALI-BOND 20331010 | 63,669 | 0.16% | 0.16% | 61,755 | NA | NA | |
| APC-BOND 20270703 | 583,190 | 1.46% | 1.46% | 581,000 | NA | NA | |
| AREITBOND20231228 | 250,000 | 0.63% | 0.63% | 250,000 | NA | NA | |
| BDO-BOND 20240128 | 1,000,000 | 2.50% | 2.50% | 1,000,000 | NA | NA | |
| BPH-BOND 20240131 | 1,096,587 | 2.74% | 2.74% | 1,100,000 | NA | NA | |
| CHIB-BOND20240218 | 511,000 | 1.28% | 1.28% | 511,000 | NA | NA | |
| CNVR-BOND20270408 | 550,000 | 1.38% | 1.38% | 550,000 | NA | NA | |
| CPI-BOND 20230107 | 759,675 | 1.90% | 1.90% | 759,670 | 20,000,000 | 3.80% | |
| TFSP-BOND 20241104 | 1,000,000 | 2.50% | 2.50% | 1,000,000 | 20,000,000 | 5.00% | |
| DNL-BOND 20260914 | 223,617 | 0.56% | 0.56% | 224,100 | NA | NA | |
| EDC-BOND 20260625 | 475,100 | 1.19% | 1.19% | 475,100 | NA | NA | |
| FB-BOND 20250310 | 690,000 | 1.73% | 1.73% | 690,000 | NA | NA | |
| FB-BOND 20270310 | 10,000 | 0.03% | 0.03% | 10,000 | NA | NA | |
| FLI-BOND 20250623 | 120,720 | 0.30% | 0.30% | 120,720 | NA | NA | |
| FLI-BOND 20270623 | 86,830 | 0.22% | 0.22% | 86,830 | NA | NA | |
| GLO-BOND 20230717 | 44,742 | 0.11% | 0.11% | 44,790 | 6,000,000 | 0.75% | |
| GTCP-B-BND20230227 | 231,495 | 0.58% | 0.58% | 231,490 | NA | NA | |
| GTCP-B-BND20240807 | 424,727 | 1.06% | 1.06% | 424,250 | NA | NA | |
| MNTC-BOND20240331 | 214,805 | 0.54% | 0.54% | 214,800 | NA | NA | |
| PCOR-BOND20231027 | 409,559 | 1.03% | 1.02% | 408,480 | NA | NA | |
| PCOR-BOND20240419 | 300,000 | 0.75% | 0.75% | 300,000 | NA | NA | |
| RCBC-BOND20240521 | 1,000,000 | 2.50% | 2.50% | 1,000,000 | NA | NA | |
| RLC-BOND 20270826 | 450,000 | 1.13% | 1.13% | 450,000 | NA | NA | |
| SECB-BOND20240120 | 1,000,000 | 2.50% | 2.50% | 1,000,000 | NA | NA | |
| SMIC-BOND 20230319 | 2,399 | 0.01% | 0.01% | 2,400 | NA | NA | |
| SMIC-BOND 20270304 | 200,000 | 0.50% | 0.50% | 200,000 | NA | NA | |
| SMIC-BOND20250218 | 190,000 | 0.48% | 0.48% | 190,000 | NA | NA | |
| SMHP-BOND20230301 | 152,000 | 0.38% | 0.38% | 152,000 | NA | NA | |
| SMHP-BOND20240901 | 381,721 | 0.96% | 0.95% | 381,660 | NA | NA | |
| SMHP-BOND20260726 | 840,000 | 2.10% | 2.10% | 840,000 | NA | NA | |
| SMHP-BOND20270422 | 300,000 | 0.75% | 0.75% | 300,000 | NA | NA | |
| SMHP-BOND20281115 | 226,907 | 0.57% | 0.57% | 230,000 | 2,000,000 | 11.50% | |
| TFSP-NOTE20230428 | 150,000 | 0.38% | 0.38% | 150,000 | 8,000,000 | 1.88% | |
| TFSP-NOTE20231028 | 10,000 | 0.03% | 0.03% | 10,000 | 8,000,000 | 0.13% | |
| TFSP-NOTE20240204 | 480,000 | 1.20% | 1.20% | 480,000 | 8,000,000 | 6.00% | |
| TFSP-NOTE20240504 | 450,000 | 1.13% | 1.13% | 450,000 | 8,000,000 | 5.63% | |
| Total | 7,136,930 | | | | | | |
| TOTAL CORPORATE BONDS | | 21,218,602 | | | | | |
| GOVERNMENT SECURITIES: | | | | | | | |
| FXTN03-0120260204 | 350,291 | 0.88% | 0.88% | 350,000 | 72,412,572 | 0.48% | |
| FXTN07-6720290519 | 494,630 | 1.24% | 1.24% | 500,000 | | | |
| FXTN10-6820320623 | 1,500,000 | 3.75% | 3.75% | 1,500,000 | | | |
| FXTN10-6920320915 | 50,071 | 0.13% | 0.13% | 50,000 | 7,521,934 | 0.66% | |
| FXTN20-1620300527 | 355 | 0.00% | 0.00% | 300 | 6,112,750 | 0.00% | |
| FXTN005 20230629 | 51,315 | 0.13% | 0.13% | 50,000 | 5,665,238 | 0.88% | |
| FXTN2011 20251020 | 245,310 | 0.61% | 0.61% | 210,000 | 11,044,891 | 1.90% | |
| FXTN14 20270906 | 570 | 0.00% | 0.00% | 500 | 6,175,063 | 0.01% | |
| FXTN25-0120251129 | 372,067 | 0.93% | 0.93% | 285,000 | 46,008,299 | 0.62% | |
| FXTN25-0220300728 | 138,540 | 0.35% | 0.35% | 100,000 | 28,054,602 | 0.36% | |
| FXTN25-0320310126 | 446,255 | 1.12% | 1.12% | 334,000 | 62,220,399 | 0.54% | |
| FXTN25-0420311026 | 87,254 | 0.22% | 0.22% | 70,000 | 120,000,000 | 0.06% | |
| FXTN25-5 20321128 | 120,481 | 0.30% | 0.30% | 100,000 | 30,800,000 | 0.32% | |
| FXTN25-6 20341105 | 63,649 | 0.16% | 0.16% | 50,000 | 54,770,000 | 0.09% | |
| FXTN25-7 20350920 | 130,434 | 0.33% | 0.33% | 110,000 | 17,000,000 | 0.65% | |
| ROP-GPN 203601114 | 591,896 | 1.48% | 1.48% | 544,000 | 22,000,000 | 2.47% | |
| RTBOND51502070304 | 1,000,000 | 2.50% | 2.50% | 1,000,000 | 22,000,000 | 4.55% | |
| FXTN25-6 202803037 | 500,000 | 1.25% | 1.25% | 500,000 | 27,000,000 | 1.85% | |
| RTBILL 20230405 | 497,910 | 1.25% | 1.25% | 500,000 | 27,000,000 | 1.85% | |
| TBILL 20230614 | 495,904 | 1.24% | 1.24% | 500,000 | 27,000,000 | 1.85% | |
| Total | 7,136,930 | | | | | | |
| TOTAL INVESTMENT SECURITIES AT AMORTIZED COST | | 28,355,533 | | | | | |
| INVESTMENT IN LIQUID OR SEMI-LIQUID ASSETS: | | | | | | | |
| GOVERNMENT SECURITIES | | 12,141,861 | 30.39% | 30.36% | n/a | n/a | n/a |
| CASH AND CASH EQUIVALENTS | | 2,068,984 | 5.17% | 5.17% | n/a | n/a | n/a |
| SHORT-TERM INVESTMENTS | | 1,000,000 | 2.50% | 2.50% | n/a | n/a | n/a |
| Total | | 15,210,845 | | | | | |
| TOTAL OPERATING EXPENSES | | | | | | | |

| | |
|---|------------|
| TOTAL ASSETS- January 1 to December 31, 2023 | 36,857,474 |
| NET ASSET VALUE- January 1 to December 31, 2023 | 36,826,016 |

| SECURITY NAME | MARKET VALUE | PERCENTAGE TO NET ASSET VALUE | PERCENTAGE TO TOTAL ASSETS | NO. OF SHARES | OUTSTANDING SECURITIES OF AN INVESTEE CO. | PERCENTAGE TO OUTSTANDING SECURITIES OF AN INVESTEE CO. |
|---------------|-----------------|-------------------------------------|-------------------------------|---------------|---|--|
|---------------|-----------------|-------------------------------------|-------------------------------|---------------|---|--|

TOTAL ASSETS TO TOTAL BORROWINGS:

NO BORROWINGS FOR THE YEAR

| | |
|---|------------|
| TOTAL ASSETS- January 1 to December 31, 2022 | 39,987,840 |
| NET ASSET VALUE- January 1 to December 31, 2022 | 39,953,075 |

| SECURITY NAME | MARKET VALUE | PERCENTAGE TO NET ASSET VALUE | PERCENTAGE TO TOTAL ASSETS | NO. OF SHARES | OUTSTANDING SECURITIES OF AN INVESTEE CO. | PERCENTAGE TO OUTSTANDING SECURITIES OF AN INVESTEE CO. |
|---------------|--------------|-------------------------------|----------------------------|---------------|---|---|
|---------------|--------------|-------------------------------|----------------------------|---------------|---|---|

| | |
|---|------------|
| AVERAGE NET ASSET VALUE- January 1 to December 31, 2022 | 41,856,802 |
|---|------------|

| AMOUNT | PERCENTAGE TO NET ASSET VALUE |
|--------|-------------------------------------|
|--------|-------------------------------------|

| | | |
|--|---------|-------|
| MANAGEMENT, DISTRIBUTION AND OTHER PROFESSIONAL FEES | 421,824 | 1.01% |
| TAXES AND LICENSES | 12,573 | 0.03% |
| CUSTODIAN FEES | 14,069 | 0.03% |
| OTHERS | 10,309 | 0.02% |

| | |
|--|---------|
| | 458,775 |
|--|---------|

| | |
|-----------------------------------|--|
| TOTAL ASSETS TO TOTAL BORROWINGS: | |
|-----------------------------------|--|

NO BORROWINGS FOR THE YEAR

ALFM PESO BOND FUND, INC.
Financial Statement Ratios
As at December, 2023 and December, 2022

| | January 1 to December 31, 2023 | January 1 to December 31, 2022 |
|------------------------------|---------------------------------------|---------------------------------------|
| Current Asset | 6,946,956 | 9,973,067 |
| Current Liabilities | 31,458 | 34,765 |
| Current /Liquidity Ratio | 220.83 | 286.87 |
| Total Liabilities | 31,458 | 34,765 |
| Total Equity | 36,826,016 | 39,953,075 |
| Debt-to-Equity Ratio | 0.0009 | 0.0009 |
| Total Assets | 36,857,474 | 39,987,840 |
| Total Equity | 36,826,016 | 39,953,075 |
| Asset-to-Equity Ratio | 1.00 | 1.00 |
| Earnings Before Income Tax | 1,661,278 | 640,673 |
| Interest Expense | - | - |
| Interest Rate Coverage Ratio | n.a. | n.a. |
| Net Income | 1,281,308 | 317,187 |
| Total Equity | 36,826,016 | 39,953,075 |
| Return on Investments | 0.03 | 0.01 |

ALFM PESO BOND FUND, INC.
MANUAL ON CORPORATE GOVERNANCE
(Revised July 2020)

ALFM Peso Bond Fund, Inc.

Table of Contents

ARTICLE 1: CORPORATE GOVERNANCE PHILOSOPHY 2

ARTICLE 2: DEFINITION OF TERMS 2

ARTICLE 3: RULES OF INTERPRETATION 4

ARTICLE 4: BOARD GOVERNANCE 4

ARTICLE 5: BOARD COMMITTEES 14

ARTICLE 6: RELATED PARTY TRANSACTIONS 20

ARTICLE 7: ACCOUNTABILITY AND AUDIT 20

ARTICLE 8: CORPORATE SECRETARY 23

ARTICLE 9: COMPLIANCE OFFICER 24

ARTICLE 10: ADEQUATE AND TIMELY INFORMATION 24

ARTICLE 11: DISCLOSURE AND TRANSPARENCY 25

ARTICLE 12: SHAREHOLDERS’ RIGHTS AND PROTECTION 26

ARTICLE 13: STAKEHOLDERS’ RIGHTS AND PROTECTION 29

ARTICLE 14: COMPREHENSIVE AND COST-EFFICIENT ACCESS TO INFORMATION 29

ARTICLE 15: LIQUIDATION OF ASSETS AND WINDING UP OF THE FUND 30

ARTICLE 16: ADMINISTRATIVE SANCTIONS 30

ARTICLE 17: ADOPTION AND EFFECTIVITY OF REVISED MANUAL 30

ARTICLE 1: CORPORATE GOVERNANCE PHILOSOPHY

The Board of Directors of the ALFM Peso Bond Fund, Inc. (the “Fund”), working closely with the Fund’s Investment Manager, and in compliance with the recommendations by the Securities and Exchange Commission (“SEC”),¹ hereby commit itself to the principles and best practices contained in this Manual (“Manual”), and acknowledge that the same shall guide the attainment of the Fund’s corporate goals.

This Manual shall institutionalize the principles of good corporate governance in the entire organization.

The Board of Directors and Shareholders believe that corporate governance is a necessary component of what constitutes sound strategic business management and will, therefore, undertake every effort necessary to create awareness within the organization as soon as possible. Compliance with the principles of good corporate governance starts with the Board of Directors.

ARTICLE 2: DEFINITION OF TERMS

1. **Affiliate** – an entity that holds directly or indirectly at least ten percent (10%) or more of the total number of issued shares in the Fund, Fund Manager, or vice versa, or have a common Shareholder that holds directly or indirectly 10% or more of the total number of the issued share capital of the Fund or the Fund Manager.
2. **Annual Corporate Governance Report** – or “ACGR” is a comprehensive report containing all of the Fund’s pertinent corporate governance information.
3. **Audio Conferencing** – a conference in which people at different locations speak to each other via telephone or Internet connections.
4. **Corporate Governance** – the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations thereby creating sustainable value for its Shareholders, Stakeholders, and the nation.

Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board of Directors and Senior Management accountable for ensuring ethical behavior and reconciling long-term customer satisfaction with Shareholder value to the benefit of all Stakeholders and the society.

5. **Board of Directors** – or the “Board” is the governing body elected by the Shareholders that exercises the corporate powers of the Fund, conducts all its business, and controls its properties.
6. **Board Risk Oversight Committee** – or the “BRO” is a committee responsible for the oversight of the Fund’s Enterprise Risk Management System to ensure its functionality and effectiveness.
7. **Computer Conferencing** – is teleconferencing supported by one or more computers.
8. **Enterprise Risk Management** – or “ERM” is a process, effected by the Board of Directors, Management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within

¹ SEC Memorandum Circular No. 24; series of 2019 on the Manual of Corporate Governance for Public Companies and Registered Issuers

its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives. ERM is integral to an effective corporate governance process and the achievement of a company's value creation objectives.

9. **Management** – a group of Executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Fund;
10. **Manual on Corporate Governance** – or “MCG” is a reference document containing all the policies, programs, and procedures that would ensure transparency and better protection of Shareholders and Stakeholders.
11. **Independent Director** – a person who is independent of Management and the controlling Shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director;
12. **Executive Director** – or “ED” is a Director who has executive responsibility of day-to-day operations of a part or the whole of the Fund;
13. **Non-executive Director** – or “NED” is a Director who has no executive responsibility and does not perform any work related to the day-to-day operations of the Fund;
14. **Internal control** – a process designed and effected by the Board of Directors, Senior Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management of corporate information; and compliance with applicable laws, regulations and the organization's policies and procedures.
15. **Independent Oversight Entity or Committee** – or “IOE” is an impartial entity or committee tasked to monitor the transactions and functions carried out by the Fund Manager.²
16. **Related parties** – covers the Fund's Directors, Officers, substantial Shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, and other persons if these persons have control, joint control or Significant Influence over the Fund. It also covers the Fund's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party.
17. **Related Party Transactions** – or “RPT” is a transfer of resources, services or obligations between a reporting entity and related party, regardless of whether a price is charged. It shall be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered with an unrelated party that subsequently becomes a related party;
18. **Remote Communication** – the transfer of data between two or more devices not located at the same site³.
19. **Significant Influence** – the power to participate in the financial and operating policy decisions of the Fund but has no control or joint control of those policies

² SEC Memorandum Circular No. 21; series of 2019 on the Rules on the Appointment of Independent Oversight Entity, Independent Net Asset Value Calculation, Qualifications of Key Officers of Fund Managers, and Liquidation of Assets and Winding Up of Investment Companies

³ SEC Memorandum Circular No. 6; series of 2020 on the Guidelines on the Attendance and Participation of Directors, Trustees, Stockholders, Members, and Other Persons of Corporations in Regular and Special Meetings Through Teleconferencing, Video Conferencing and Other Remote or Electronic Means of Communication

20. **Stakeholders** – any individual, organization or society at large who can either affect and/or be affected by the Fund's strategies, policies, business decisions and operations, in general. This includes, among others, non-proprietary certificate holders, customers, creditors, employees, suppliers, investors, as well as the government and the community in which the Fund operates.
21. **Teleconferencing** – the holding of a conference among people remote from one another by means of telecommunication devices such as telephone or computer terminals. It refers to an interactive group communication between three (3) or more people in two (2) or more locations through an electronic medium. In general terms, teleconferencing can bring people together under one roof even though they are separated by hundred miles.
22. **Videoconferencing** – the holding of a conference among people in remote locations by means of transmitted audio and video signals.

ARTICLE 3: RULES OF INTERPRETATION

All references to the masculine gender in the salient provisions of this Manual shall likewise cover the feminine gender.

All doubts or questions that may arise in the interpretation or application of this Manual shall be resolved in favor of promoting transparency, accountability and fairness to the Shareholders and investors of the Fund.

ARTICLE 4: BOARD GOVERNANCE

The Board is primarily responsible for the governance of the Fund. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions, and responsibilities.

It must ensure the Fund's ability to satisfy the needs of its customers, sustain its leadership and competitiveness, and uphold its reputation in order to maintain the Fund's long-term success and viability as a business entity. Its mandate consists of setting the strategic business directions of the Fund, appointing its Senior Executive Officers, approving all major strategies and policies, overseeing all major risk-taking activities, monitoring the financial results, and generating a reasonable investment return to Shareholders.

Directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Fund and all Shareholders and all other Stakeholders.

A) Composition of the Board

The Board shall be composed of Directors with a collective working knowledge, experience or expertise that is relevant to the Fund's industry/sector. The Board shall always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction

The Fund as covered by this Manual shall have at least two (2) IDs or such number of Independent Directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).

The membership of the Board may be a combination of EDs and NEDs, which include IDs, in order that no Director or small group of Directors can dominate the decision-making process.

NEDs shall not concurrently serve as Directors to more than ten (10) public companies and/or registered issuers. However, the maximum concurrent directorships shall be five (5) public companies and/or registered issuers if the NED also sits in at least three (3) publicly-listed companies. NEDs shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

There shall be diversity in the composition of the Board in order to avoid groupthink and ensure that optimal decision-making is achieved and the efficiency of collective problem solving within such group

B) The Chairperson and Chief Executive Officer / President

The Board shall be headed by a competent and qualified Chairperson ("Chair").

The roles of Chair and Chief Executive Officer ("CEO") shall, as much as practicable, be separate to foster an appropriate balance of power, increased accountability, and better capacity for independent decision-making by the Board. A clear delineation of functions shall be made between the Chair and CEO upon their election.

If the positions of Chair and CEO are unified, the proper checks and balances shall be laid down to ensure that the Board gets the benefit of independent views and perspectives.

The Board shall designate a lead director among the IDs if the Chairperson of the Board is not independent, including if the positions of the Chair and CEO or its equivalent are held by one (1) person.

The duties and responsibilities of the Chair in relation to the Board may include, among others, the following:

1. Makes certain that the meeting's agenda focuses on strategic matters, including the overall risks appetite of the Fund, taking into account the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
2. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
3. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual Directors;
4. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
5. Assures the conduct of proper orientation for first-time Directors and continuing training opportunities for all Directors; and
6. Makes sure that performance of the Board is evaluated at least once a year and discussed or followed up on if necessary.

C) Qualifications of Directors

In addition to the qualifications for membership in the Board provided for in the Revised Corporation Code ("RCC")⁴, the Securities Regulation Code ("SRC"), and other relevant laws, a Director must have the following additional qualifications:

1. Holds at least PhP 5,000.00 worth of shares at cost of stock of the Fund;
2. At least twenty-five (25) years old;
3. At least a college graduate or its equivalent or adequate competence and understanding of the fundamentals of doing business or membership in good standing in relevant industry, and membership in business or professional organizations or sufficient experience and competence in managing a business to substitute for such formal education;
4. Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions;
5. Has adequate physical health and mental stamina to withstand the rigors of his responsibilities;
6. Has no potential conflict of time and attention due to competing Officerships, Directorships, or memberships in other companies/Funds;
7. Has attended or will attend an accredited corporate governance seminar, as required by the SEC;
8. Possesses no disqualifications as provided for in the RCC, Bangko Sentral ng Pilipinas ("BSP") Circulars, and SEC rules and regulations;
9. Has practical understanding of the business of the Fund;
10. A member in good standing in relevant industry, business, or professional organizations; and
11. Has previous business experience.

D) Qualifications of Independent Directors

The IDs shall possess a good general understanding of the industry that the Fund engages in, qualifications and stature that would enable them to effectively and objectively participate in the deliberations of the Board.

An ID refers to a person who:

1. Shall not or has not been a Senior Officer or employee of the Fund unless there has been a change in the controlling ownership therein;
2. Is not, and has not been in the two (2) years immediately preceding the election, a director of the Fund; a Director, Officer, employee of the Fund's subsidiaries, associates, affiliates or related companies; or a director, Officer, employee of the Fund's substantial Shareholders and its related companies;

⁴ Republic Act No. 11232 or the Revised Corporation Code of 2018

3. Has not been appointed in the Fund, its subsidiaries, associates, affiliates or related companies as Chairperson "Emeritus," "Ex-Officio" Director/Officer of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within two (2) years immediately preceding his election;
4. Is not an owner of more than two percent (2%) of the outstanding shares of the Fund, its subsidiaries, associates, affiliates, or related companies;
5. Is not a relative of a director, Officer, or substantial Shareholder of the Fund or any of its related companies or of any of its substantial Shareholders;
6. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister; and
7. Is not acting as a nominee or representative of any Director of the Fund or any of its Related Companies.

Related companies, as used in this section, refer to:

1. The Fund's holding/parent company;
2. Its subsidiaries; and
3. Subsidiaries of its holding/parent company.

IDs shall serve for a maximum cumulative term of nine (9) years. After which, the ID shall be perpetually barred from reelection as such, but may continue to qualify for nomination and election as a non-independent director.

In the instance that Fund seeks to retain an ID who has served for nine (9) years, the Board shall provide meritorious justification and seek Shareholders approval during the annual Shareholders' meeting.

E) Disqualification of Directors

1. Permanent Disqualification

The following shall be grounds for the permanent disqualification of a Director:

1. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the SRC; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures SEC merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
2. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as Director or Officer of a bank, quasibank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities. The disqualification shall also apply if such person is currently the

subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the RCC, SRC, or any other law administered by the SEC or BSP, or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

3. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, *estafa*, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
4. Any person who has been adjudged by final judgment or order of the SEC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Fund Code, Securities Regulation Manual or any other law administered by the SEC or BSP, or any of its rule, regulation or order;
5. Any person judicially declared as insolvent;
6. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct similar to any of the acts, violations, or misconduct enumerated above;
7. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the RCC and SRC committed within five (5) years prior to the date of his election or appointment; and
8. Other grounds as the SEC may provide pursuant to the provisions of the RCC, SRC, and other related laws.

2. Temporary Disqualification

The Board may provide for the temporary disqualification of a Director for any of the following reasons:

1. Refusal to comply with the disclosure requirements of the SRC and its implementing rules and regulations. The disqualification shall be in effect as long as the refusal persists;
2. Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;
3. Dismissal or termination for cause as Director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the SEC. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal, termination, or removal;
4. If the beneficial equity ownership of an ID in the Fund or its affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an ID shall be lifted if the limit is later complied with; and

5. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporarily disqualified Director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

F) Nomination of Directors

The Board shall have a formal and transparent board nomination and election process that shall include how it accepts nominations from its Shareholders and reviews the qualifications of nominated candidates ("Candidates"). The process shall be assessed according to its effectiveness in the proper nomination, election, or replacement/removal of a Director. The process shall be aligned with the strategic direction of the Fund.

1. Process of Nomination

1. All Shareholders, regardless of their shareholdings, shall have the right to nominate, elect, remove and replace Directors and vote on certain corporate acts in accordance with the RCC.
2. The Nomination Committee itself may likewise identify and recommend qualified individuals for nomination and election to the Board. For this purpose, the Committee may make use of professional search firms or other External sources of Candidates to search for qualified Candidates to the Board.
3. All written nominations for election of Directors by the Shareholders are to be received by the Nominations Committee not later than the date prescribed by law, rules, and regulations or at such earlier or later date as the Board of Directors may fix before the date of the next annual meeting of the Shareholders. All recommendations shall be signed by the nominating Shareholders together with the written acceptance and conformity of the would-be nominees. No nominee shall qualify to be elected as Director unless this requirement is complied with.
4. The Committee shall screen and shortlist qualified individuals for election as Directors to ensure that only those that possess all the qualifications and none of the disqualifications from Directorship as provided in the Fund's By-Laws, this Manual and relevant laws, rules and regulations may be elected to the Board.
5. In case of a vacancy in the Board other than removal of a Director or expiration of term, the Committee shall determine and identify the qualified nominee and recommend to the Board, if the remaining Directors still constitute a quorum, to elect such qualified nominee to fill the vacancy.
6. The Committee shall prepare a final list of qualified nominees, recommend for final approval of the Board such final list, and recommend to the Shareholders the qualified nominees included in the final list for election in the annual meeting of Shareholders.
7. The final list of Candidates shall contain all the information about all the nominees and shall be made available to the SEC and to all Shareholders through the filing and distribution of the Information Statement, or in such other reports the Fund is required to submit to SEC. The name of the person or group of persons who recommended the nomination of the Director shall also be identified in such report including any relationship with the nominee.

8. Only nominees whose names appear on the final list of Candidates shall be eligible for election as a Director. No other nominations shall be entertained after the final list of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual Shareholders' meeting.
9. The aforementioned process and requirements shall also apply to nominations for IDs.

G) Responsibilities, Duties and Functions of the Board

It shall likewise be the Board's responsibility to foster the long-term success of the Fund and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interests of the Fund, its Shareholders, and Stakeholders.

The Board shall formulate the Fund's vision, mission, and strategic objectives that shall guide the Investment Manager's activities, including the means to effectively monitor the latter's performance.

To ensure a high standard of best practices for the Fund, its Shareholders and its Stakeholders, the Board, in close coordination with the Fund's duly registered Investment Manager, shall conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:

1. Act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Fund and all Shareholders and all other Stakeholders;
2. Oversee the development of and approve the Fund's business and strategy, and monitor its implementation, in order to sustain the company's long-term viability and strength;
3. Ensure and adopt an effective succession planning program for Directors, key Officers, and Management to ensure the continuous and consistent growth of the Fund. This should include adopting a retirement policy for Directors and key Officers;
4. Align the remuneration of key Officers and Board members with the long-term interests of the Fund. In doing so, it should formulate and adopt a policy specifying the relationship between remuneration and performance;
5. Install a process of selection to ensure a mix of competent Directors and Officers who can add value and contribute independent judgment to the formulation of sound corporate strategies;
6. Appoint competent, professional, honest and highly-motivated management Officers;
7. Ensure that the Fund complies with all relevant laws, regulations and codes of best business practices;
8. Establish and maintain an investor relations program that will keep the Shareholders informed of important developments in the Fund. If feasible, the Fund's President or Treasurer shall exercise oversight responsibility over this program;
9. Identify the Fund's major and other Stakeholders and formulate a clear policy on communicating or relating with them through an effective investor-relations program;
10. Ensure that the Fund has an adequate internal control system with proper checks and balances, to be carried out by its management directly or through its duly appointed Investment Manager;

11. Identify key risk areas and key performance indicators and monitor these factors with due diligence to enable its duly appointed Investment Manager to anticipate and prepare for possible threats to its operational and financial viability;
12. Constitute an Audit Committee and such other Committees it deems necessary to assist the Board in the performance of its duties and responsibilities;
13. Establish and maintain an alternative dispute resolution system in the Fund that can amicably settle conflicts or differences between the Fund and its Shareholders, and the Fund and third parties, including the regulatory authorities;
14. Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly recorded in the minutes;
15. Keep Board authority within the powers of the Fund as prescribed in the Articles of Incorporation, By-Laws, and existing laws, rules and regulations;
16. Appoint a Compliance Officer who shall have the rank of at least Senior Vice President or an equivalent position with adequate stature and authority in the Fund;
17. Conduct an annual self-assessment of its performance, including the performance of the Chair, individual members and Committees;
18. Establish a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual Directors, Committees and such system should allow for a feedback mechanism from the Shareholders;
19. Adopt a Code of Business Conduct and Ethics ("Code of Ethics"), which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the Board. The Code of Ethics shall be properly disseminated to all the members of the Board and be made available to the public through the Fund's website;
20. Ensure the proper and efficient implementation and monitoring of compliance with the Code of Ethics; and
21. Approve the selection and assessing the performance of the Management led by the CEO or his equivalent, and control functions led by their respective heads of the internal audit, compliance and risk functions, as may be applicable.

H) Specific Duties and Responsibilities of Directors

A Director's office is one of trust and confidence. A Director shall act in the best interest of the Fund in a manner characterized by transparency, accountability and fairness. He shall also exercise leadership, prudence and integrity in directing the Fund towards sustained progress.

A Director shall observe the following norms of conduct:

1. To conduct fair business transactions with the Fund and to ensure that personal interest does not bias Board decisions and does not conflict with the interest of the Fund;
2. To devote time and attention necessary to properly and effectively perform his duties and responsibilities;
3. To act judiciously;

4. To exercise independent judgment;
5. To have a working knowledge of the statutory and regulatory requirements affecting the Fund, including the contents of its Articles of Incorporation and By-Laws, the rules and regulations of the SEC, and where applicable, the requirements of other regulatory agencies;
6. To observe confidentiality;
7. To ensure the continuing soundness, effectiveness, and adequacy of the Fund's internal control environment;
8. Notify the Board before accepting a directorship in another company; and
9. To fully disclose his adverse interest, abstain from taking part in the deliberations for the same and recuse from voting on the approval of the transaction in case there is material or potential interest in any transaction affecting the Fund.

I) Specific Duties and Responsibilities of Non-Executive Directors

The NEDs shall have separate periodic meetings with the External Auditor and heads of the internal audit, compliance and risk functions, without any EDs present to ensure that proper checks and balances are in place within the corporation. The meetings should be chaired by the lead ID director, if applicable.

J) Orientation and Continuing Training Program

An orientation program and annual continuing training for first-time Directors shall be in place to promote effective Board performance and continuing qualification of the Directors in carrying out their duties and responsibilities. The orientation program ensures that new Directors are appropriately apprised of their duties and responsibilities, before beginning their directorships, and throughout their tenure. The orientation program shall cover SEC-mandated topics on corporate governance and shall include an introduction to the Fund's business, Articles of Incorporation and By-Laws, and Code of Ethics. The orientation program shall be for at least eight (8) hours.

The annual continuing training program shall ensure that Directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Fund. The training can be on any matter relevant to the Fund, which may include training on audit, internal controls, risk management, sustainability, and strategy. Training for corporate governance shall be conducted by SEC-accredited institutional training providers. The annual continuing training shall be for at least four (4) hours.

K) Internal Control Responsibilities of the Board

The control environment of the Fund consists of:

1. The Board which ensures that the Fund is properly and effectively managed and supervised;
2. Management that actively manages and operates the Fund in a sound and prudent manner;

3. The organizational and procedural controls supported by effective management information and risk management reporting systems; and
4. An independent audit mechanism to monitor the adequacy and effectiveness of the Fund's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations, and contracts.

The minimum internal control mechanisms for the performance of the Board's oversight responsibility includes:

1. The definition of the duties and responsibilities of the CEO/President who is ultimately accountable for the Fund's organizational and operational controls; and
2. The selection of the person who possesses the ability, integrity, and expertise essential for the position of CEO/President;

L) Board Meetings and Quorum Requirement

The members of the Board shall attend and actively participate in its regular and special meetings in person or through teleconferencing, computer conferencing, audio conferencing, video conferencing, and other remote or electronic means of communication conducted in accordance with the rules and regulations of the SEC⁵, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent them from doing so.

In Board and Committee meetings, the Directors shall review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

The IDs shall always attend Board meetings. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one (1) ID in all its meetings.

To monitor the Directors' compliance with the attendance requirements, the Fund shall submit to the SEC, on or before January 30 of the following year, a sworn certification on the Directors' record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing.

M) Remuneration of Directors and Officers

The levels of remuneration of the Fund shall be sufficient to be able to attract and retain the services of qualified and competent Directors and Officers. The Board shall align the remuneration of key Officers and Board members with the long-term interests of the Fund.

The Board shall have a formal and transparent procedure for the development of a policy on executive remuneration or determination of remuneration levels for individual Directors and Officers depending on the particular needs of the Fund.

No Director shall participate in the determination of his own per diem or compensation.

⁵ SEC Memorandum Circular No. 6; series of 2020 on the Guidelines on the Attendance and Participation of Directors, Trustees, Stockholders, Members, and Other Persons of Corporations in Regular and Special Meetings Through Teleconferencing, Video Conferencing and Other Remote or Electronic Means of Communication

The Fund's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its Directors and top four (4) management Officers during the preceding fiscal year.

To protect the Fund, the SEC may, in exceptional cases, e.g., when a Fund is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees and fringe benefits to its Directors and Officers.

ARTICLE 5: BOARD COMMITTEES

The Board may carry out its various responsibilities through Committees that shall be set up to support the effective performance of the Board's functions.

The Committees shall be composed only of Board members.

All Committees shall have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters should provide the standards for evaluating the performance of the Committees and its members.

A) Nomination Committee

The Board shall create a Nomination Committee which shall consist of at least three (3) members of the Board, one of whom must be an ID.

Duties and Responsibilities of the Nomination Committee

1. Determine the nomination and election process for the Directors and defines the general profile of Board members that the Fund may need, and ensures that appropriate knowledge, competencies and expertise that complement the existing skills of the Board are adopted as standards and criteria for nomination and election;
2. Establishes a formal and transparent procedure for determining the remuneration of Directors and Officers that is consistent with the Fund's culture and business strategy as well as the business environment in which it operates.
3. Assess the effectiveness of the Board's processes and procedures in the election or replacement of Directors;
4. In consultation with the Executive or Management Committees, re-define the role, duties and responsibilities of the CEO/President by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.
5. Consider the following guidelines in the determination of Directorship in the Board:
 1. The nature of the business of the Fund;
 2. Age of the Director;
 3. Number of Directorships and active memberships and Officerships in other Funds or organizations; and

4. Possible conflict of interest.

B) Audit Committee

The Board should establish an Audit Committee to enhance its oversight capability over the Fund's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

The Committee shall be composed of at least three (3) appropriately qualified NEDs, the majority of whom, including the Chair, shall be IDs. All of the members of the Committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing, and finance. The Chair of the Committee shall not be the Chair of the Board or of any other committees.

In order to ensure independence and prevent conflict of interest, the members of the Audit Committee shall not be allowed to hold interlocking directorships in other entities involved in the operation of the Fund such as the Fund Manager, Fund Distributor, Fund Advisor, Transfer Agent, and Custodian.

Duties and Responsibilities of the Audit Committee

1. Ensure a reliable and strong internal audit control system with the duly appointed / registered Investment Manager's own internal corporate set-up. A well-designed internal audit control system provides a system of checks and balances in order to:
 1. Safeguard the Fund's resources and ensure their effective utilization;
 2. Prevent occurrence of fraud and other irregularities;
 3. Protect the accuracy and reliability of the company's financial data; and
 4. Ensure compliance with applicable laws and regulations;
2. Monitor Management's responsiveness to the internal auditor's findings and recommendations;
3. Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one (1) audit firm is involved in the activity to identify proper coverage and minimize duplication of efforts;
4. Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid and the corporation's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with the duties of an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Fund's Annual Report and ACGR;
5. Review and approve the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
 1. Any change/s in accounting policies and practices;
 2. Areas where a significant amount of judgment has been exercised;
 3. Significant adjustments resulting from the audit;

4. Going concern assumptions;
 5. Compliance with accounting standards; and
 6. Compliance with tax, legal and regulatory requirements;
6. Review the recommendations in the External Auditor's management letter;
 7. Perform oversight functions over the Fund's Internal and External Auditors and ensures their independence and unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions taking into consideration relevant Philippine professional and regulatory requirements;
 8. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
 9. Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the SEC, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the Shareholders;
 10. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, the Related Party Registry is updated to capture subsequent changes in relationships with counterparties from non-related to related and vice versa;
 11. Perform the functions of the IOE Committee, as provided under, in the absence thereof;
 12. Perform the functions of the Corporate Governance Committee, as provided under, in the absence thereof;
 13. Perform the functions of the RPT Committee, as provided under, in the absence thereof;
 14. Perform the functions of the BRO Committee, as provided under, in the absence thereof; and
 15. Meets internally and with the Board at least once every quarter without the presence of the CEO/President or other Management team members, and periodically meets with the head of the Independent Audit.

C) Independent Oversight Committee

The Fund shall perform oversight over its Fund Manager. Pursuant to this, the Audit Committee shall also function as an impartial Committee or IOE, as recommended by SEC regulation⁶, to monitor the transactions and functions carried out by the Fund Manager.

Duties and Responsibilities of the Independent Oversight Committee

1. Exercise care and diligence when monitoring the transactions and functions of the Fund Manager;
2. Oversee the transactions and functions of the Fund Manager to ensure compliance with the disclosures made in the Registration Statement, prospectus, the ICA, SRC, and their

⁶ SEC Memorandum Circular No. 21; series of 2019 on the Rules on the Appointment of Independent Oversight Entity, Independent Net Asset Value Calculation, Qualifications of Key Officers of Fund Managers, and Liquidation of Assets and Winding Up of Investment Companies

implementing rules and regulations. For cross-border offerings or transactions, in addition to the abovementioned, oversee the transactions of the Fund Manager in order to ensure that it also complies with the standards and requirements of bilateral or multilateral agreements allowing cross-border offerings and transactions that the Philippines is a party to;

3. Oversee the subscription and redemption of shares or units facilitated by the Fund Manager and to approve the request of the Fund Manager in the case of suspension of redemption of shares or units whenever necessary for the protection of investors subject to the rules on Suspension of Redemption provided under Rule 10.4 of the ICA implementing rules and regulations;
4. Oversee the activities of the Fund Manager in order to ensure that it complies with the rules on investment restrictions and limitations, liquidity requirements, and other regulations involving the operationalization of the investment objectives, investment policy or strategy of the Fund;
5. Oversee the transactions of the Fund Manager to ensure that delegation will not result in unnecessary fees to be paid by the Fund and ensure that it will not delegate its function to the extent that it becomes a letter box such as when it no longer has the power to take decisions in the implementation of the investment policy and strategies nor retain the suitable process to monitor, control the activities and evaluate the performance of the delegatee;
6. If, in the reasonable opinion of the IOE, the Fund Manager has not complied with any of the laws, rules or regulations applicable to the Fund, and/or it failed to report to the SEC the said non-compliance, notify the SEC of its opinion, including particulars of the non-compliance, not later than five (5) business days after forming the opinion or upon knowledge of the non-compliance. The notification shall be done by filing an SEC Form 17-C. It shall notify, without delay, the members of the Board of its opinion so that the Board can apprise the Fund Manager of the said non-compliance and address any resulting breach;
7. Report to the SEC any act of the Fund Manager, which in its opinion may be detrimental to the interests of the shareholders even if the said act is not in violation of any law, rule or regulation, not later than five (5) business days from knowledge thereof; and
8. If necessary, recommend to the Board that the Fund Manager be removed due to its inability to fulfill its functions.

D) Corporate Governance Committee

The Corporate Governance Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices.

Duties and Responsibilities of the Corporate Governance Committee

1. Oversee the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the Fund's size, complexity of operations and business strategy, as well as its business and regulatory environment;
2. Oversee the periodic performance evaluation of the Board and its Committees as well as the executive management, and conducts an annual evaluation of the said performance;

3. Ensure that the results of the Board evaluation are discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
4. Recommend the continuing education/training programs for Directors, assignment of tasks/projects to Committees, succession plan for the Board members and Senior Officers, and remuneration packages for and individual performance;
5. Adopt corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance; and
6. Propose and plan relevant trainings for the members of the Board.

E) Related Party Transactions Committee

Duties and Responsibilities of the RPT Committee

1. Evaluate all RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied;
2. Determine any potential reputational risk issues that may arise as a result of or in connection with RPTs. In evaluating RPTs, the Committee takes into account, among others, the following:
 1. The related party's relationship to the Fund and interest in the transaction;
 2. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 3. The benefits to the Fund of the proposed RPT;
 4. The availability of other sources of comparable products or services; and
 5. An assessment of whether the proposed RPT is undertaken on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Fund should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.
3. Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Fund's RPT exposures, and policies on potential and/or actual conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;
4. Report to the Board on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
5. Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process;
6. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

F) Board Risk Oversight Committee

The BRO Committee shall be responsible for the oversight of the Fund's ERM System to ensure its functionality and effectiveness. The BRO Committee should be composed of at least three (3) directors, the majority of whom should be IDs, including the Chairperson. At least one (1) member of the committee must have relevant thorough knowledge and experience on risk and risk management.

The BRO Committee has the responsibility to assist the Board in ensuring that there is an effective and integrated risk management process in place in order that the Board and Senior Management will be in a position to make well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities.

Duties and Responsibilities of the BRO Committee

1. Develop a formal ERM plan which contains the following:
 1. Common language or register of risks,
 2. Well-defined risk management goals and objectives,
 3. Uniform processes of assessing risks and developing strategies to manage prioritized risks,
 4. Designing and implementing risk management strategies, and
 5. Continuing assessments to improve risk strategies, processes and measures;
2. Oversee the implementation of the ERM plan and conduct regular discussions on the Fund's prioritized and residual risk exposures based on regular risk management reports and assessing how these risks are addressed or managed;
3. Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The Committee shall revisit defined risk management strategies, looks for emerging or changing material exposures, and keeps abreast of significant developments that seriously impact the likelihood of harm or loss;
4. Advise the Board on its risk appetite levels and risk tolerance limits;
5. Review at least annually the Fund's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and major events which may have occurred affecting the Fund;
6. Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Funds and its Stakeholders;
7. Oversee the Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Fund. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
8. Report to the Board on a regular basis, or as deemed necessary, the Fund's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

ARTICLE 6: RELATED PARTY TRANSACTIONS

The Board should have the overall responsibility in ensuring that there is a policy and system governing RPTs and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy should include the appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.

Ensuring the integrity of RPTs is an important fiduciary duty of the Director. It is the Board's role to initiate policies and measures geared towards promotion of transparency, prevention of abuse, and protection of the interest of all Shareholders by:

1. Requiring material RPTs to be approved by at least two-thirds (2/3) of the Board, with majority of the IDs approving the transaction, in accordance with the provisions of the RCC, SEC issuances, and other related laws; and
2. Ensuring that transactions occur at market prices, at arm's-length basis and under conditions that protect the rights of all shareholders.

An RPT Policy shall be in place, which shall contain:

1. Identification of related parties;
2. Coverage of RPT policy;
3. Guidelines in ensuring arm's-length terms;
4. Identification and prevention or management of potential or actual conflicts of interest which may arise;
5. Adoption of materiality thresholds, as well as internal limits for individual and aggregate exposures;
6. Approval of material RPTs based on the Fund's materiality threshold;
7. Disclosure requirement of material RPTs;
8. Self-assessment and periodic review of policy;
9. Whistle-blowing mechanisms; and
10. Restitution of losses and other remedies for abusive RPTs.

The Fund may set its materiality threshold at a level where omission or misstatement of the transaction could pose a significant risk to the Fund and influence its economic decision.

Depending on the materiality threshold, the approval of Management, the Board, or the Shareholders may be required. In cases where the Board and/or Shareholders' approval is required, the interested Directors and/or Shareholders, respectively, shall abstain and let the disinterested parties decide.

ARTICLE 7: ACCOUNTABILITY AND AUDIT

The Board is primarily accountable to the Shareholders. It shall provide them with a balanced and comprehensible assessment of the Fund's performance, position and prospects on a

regular basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

Thus, it is essential that Management provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the Shareholders.

A) Internal Auditor

Due to the nature of an Investment Fund set-up where the Fund does not have any employees of its own and where all the daily business transactions are undertaken by the Fund's Investment Manager, the Fund does not intend to employ its own Internal Auditor but in return, the Board shall ensure a reliable and strong internal audit control system with the duly appointed / registered Investment Manager's own internal corporate set-up.

Functions of the Internal Auditor

1. Provide an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in:
 1. Promoting the right values and ethics,
 2. Ensuring effective performance management and accounting in the Fund,
 3. Communicating risk and control information, and
 4. Coordinating the activities and information among the Board, External and Internal auditors, and Management,
2. Perform regular and special audit as contained in the annual audit plan and/or based on the Fund's risk assessment;
3. Perform consulting and advisory services related to governance and control as appropriate for the organization;
4. Perform compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
5. Review, audit and assess the efficiency and effectiveness of the internal control system of all areas of the Fund;
6. Evaluate operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
7. Evaluate specific operations at the request of the Board or Management, as appropriate; and
8. Monitor and evaluate governance processes.

B) External Auditor

An External Auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Fund. The Board, after consultations with the Audit Committee, shall recommend to the Shareholders an External Auditor duly accredited by the

SEC who shall undertake an independent audit of the Fund, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the Shareholders.

Dismissal / Resignation / Cessation from Service

If the External Auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the Fund's annual and current reports. The report shall include a discussion of any disagreement between him and the Fund on accounting principles or practices, financial disclosures or audit procedures which the former Auditor and the Fund failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Fund to the External Auditor before its submission.

The Audit Committee should have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal, and fees of the External Auditor should be recommended by the Audit Committee and approved by the Directors and the Shareholders. For the removal or change in the External Auditor, the reasons for removal or change should be disclosed to the SEC, the shareholders, and the public through the Fund website and other required disclosures.

Limitations of the Functions of the External Auditor

The External Auditor shall not, at the same time, provide internal audit services to the Fund. Non-audit work may be given to the External Auditor, provided it does not conflict with his duties as an Independent Auditor, or does not pose a threat to his independence.

The Fund should disclose the nature of non-audit services performed by its External Auditor in the Annual Report in the interest of managing potential conflict of interest cases. The Audit Committee should be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the External Auditor's objectivity.

Duration / Term of Service

The External Auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Fund, shall be changed with the same frequency.

Duty to Report Incorrect or Incomplete Statements on Report, etc.

If the External Auditor believes that any statement made in an annual report, information statement or any report filed with the SEC or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.

The Audit Committee Charter should include the Audit Committee's responsibility on assessing the integrity and independence of External Auditors and exercising effective oversight to review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Charter should also contain the Audit Committee's responsibility on reviewing and monitoring the External Auditor's suitability and effectiveness on an annual basis.

C) INDEPENDENT NET ASSET VALUE CALCULATION

The Fund shall engage an independent entity, as required by SEC regulation⁷, to calculate or cross-check its Net Asset Value every dealing day. The entity shall be duly licensed by the BSP, provided that it does not hold directly or indirectly ten percent (10%) or more of the total number of issued shares in the Fund, Fund Manager, or vice versa, nor have a common shareholder that holds directly or indirectly ten percent (10%) or more of the total number of issued share capital of the Fund or Fund Manager; and the entity shall not be the same as the one auditing the Fund and Fund Manager.

ARTICLE 8: CORPORATE SECRETARY

The Board should ensure that it is assisted in its duties by a Corporate Secretary, who should be a separate individual from the Compliance Officer. The Corporate Secretary should not be a member of the Board of Directors and should annually attend a training on corporate governance.

Qualifications of the Corporate Secretary

1. The Corporate Secretary shall be a Filipino citizen and a resident of the Philippines;
2. Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have adequate legal skills; and
3. He must also have a working knowledge of the operations of the Fund.

Duties and Responsibilities of the Corporate Secretary

1. Assists the Board and the Committees in the conduct of their meetings (i.e. agenda setting, preparation of annual schedule of meetings and board calendar);
2. Safekeeps and preserves the integrity of the minutes of the meetings of the Board, Committees and Shareholders, as well as other official records of the Fund;
3. Keeps abreast of relevant laws, regulations, all governance issuances, industry developments and operations of the Fund, and advises the Board and the Chairperson on all relevant issues as they arise;
4. Works fairly and objectively with the Board, Management and Shareholders and contributes to the flow of information between the Board and Management, the Board and its Committees, and the Board and its Shareholders as well as other Stakeholders;
5. Advises on the establishment of Committees and their terms of reference;
6. Informs members of the Board, in accordance with the By-Laws, of the agenda of their meetings at least five (5) working days before the date of the meeting, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

⁷ SEC Memorandum Circular No. 21; series of 2019 on the Rules on the Appointment of Independent Oversight Entity, Independent Net Asset Value Calculation, Qualifications or Key Officers of Fund Managers, and Liquidation of Assets and Winding Up of Investment Companies

7. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
8. Performs all required administrative functions;
9. Oversees the drafting of the By-laws and ensures that they conform with regulatory requirements; and
10. Performs such other duties and responsibilities as may be provided by the Board and the SEC.

ARTICLE 9: COMPLIANCE OFFICER

The Compliance Officer is a member of the Fund's Management team in charge of the compliance function. Similar to the Corporate Secretary, he is primarily liable to the Fund and its shareholders and not to the Chair or President.

The appointment of the Compliance Officer shall be immediately disclosed to the SEC on SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to said Officer.

Duties and Responsibilities of the Compliance Officer

1. Ensures proper onboarding of new Directors (i.e., orientation on the Fund's business, charter, Articles of Incorporation and By-Laws, among others);
2. Monitors, reviews, evaluates and ensures the compliance by the Fund, its Officers and Directors the relevant laws, this Manual, rules and regulations and all governance issuances of regulatory agencies;
3. Reports to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
4. Ensures the integrity and accuracy of all documentary and electronic submissions as may be allowed under SEC rules and regulations;
5. Appears before the SEC when summoned in relation to compliance with this Manual and other relevant rules and regulations;
6. Collaborates with other departments within the Fund to properly address compliance issues, which may be subject to investigation;
7. Identifies possible areas of compliance issues and works towards the resolution of the same; and
8. Ensures the attendance of Directors and key Officers to relevant trainings;

ARTICLE 10: ADEQUATE AND TIMELY INFORMATION

To enable the members of the Board to properly fulfill their duties and responsibilities, the Investment Manager shall provide them with complete, adequate and timely information about the matters to be taken in their meetings.

Reliance on information furnished by Investment Manager may not be sufficient in all circumstances and further inquiries may be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the Directors shall be given independent access to Investment Manager and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents.

The Directors, either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice at the Fund's expense.

ARTICLE 11: DISCLOSURE AND TRANSPARENCY

The essence of corporate governance is transparency. The more transparent the internal workings of the Fund are, the more difficult it will be for Management and dominant Shareholders to mismanage the Fund or misappropriate its assets.

It is therefore essential that all material information about the Fund which could adversely affect its viability or the interests of its Shareholders and other Stakeholders shall be publicly and timely disclosed. Such information shall include, among others, earnings results, acquisition or disposition of assets, off-balance sheet transactions, RPTs, and direct and indirect remuneration of members of the Board and Management. All such information shall be disclosed through the appropriate Exchange mechanisms and submissions to the SEC.

The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information and submissions to the SEC for the interest of its Shareholders and other Stakeholders.

The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to Shareholders and other Stakeholders that gives a fair and complete picture of a Fund's financial condition, results, and business operations.

The Fund should have a policy requiring all Directors and Officers to disclose/report to the Fund any dealings in the Fund's shares by the said Directors and Officers within five (5) business days.

The Fund should disclose all relevant information on its corporate governance policies and practices in the ACGR, which shall be submitted to the SEC, and continuously updated and posted on the Fund's website.

Contents of the ACGR

1. A policy on disclosure of all relevant and material information on Directors and key Officers to evaluate their experience and qualifications, and assess any potential and/or actual conflicts of interest that might affect their judgment.⁸
2. Board and Executive remuneration, as well as the level and mix of the same;
3. Accurate disclosure to the public of every material fact or event that occurs in the Fund, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its Shareholders and other Stakeholders, which includes policy on the appointment of an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets;

⁸ "Annex C", as amended, SRC Rule 12 on Non-Financial Disclosure Requirements

4. The non-audit work, if any, of the External Auditor, the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Fund's overall consultancy expenses;
5. The attendance record of the Fund's directors for the previous year; and
6. Other information that the SEC or other regulatory agencies, may, from time to time require disclosure of.

This Manual shall be submitted to and made available at the SEC. It shall also be available for inspection by any Shareholder of the Fund at its principal office during reasonable hours on a business day. The Manual shall, likewise, be posted on the Fund's website.

Reportorial or Disclosure System of the Fund's Corporate Governance Policies

1. The reports or disclosures required under this Manual shall be prepared and submitted to the SEC by the responsible Committee or Officer through the Fund's Compliance Officer.
2. All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, Board changes, related party transactions, shareholdings of Directors, and changes to ownership.
3. Other information that shall always be disclosed includes remuneration (including stock options) of all Directors and Senior Management, corporate strategy, and off-balance sheet transactions.
4. All disclosed information shall be released through announcements and annual reports.
5. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the Stakeholders.

ARTICLE 12: SHAREHOLDERS' RIGHTS AND PROTECTION

The Fund recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore, the following provisions are issued for the guidance of all internal and External parties concerned, as governance covenant between the Fund and all its investors:

Rights of Shareholders

The Board shall be committed to respect the rights of the Shareholders, namely:

1. Voting Rights
 1. Shareholders shall have the right to elect, remove and replace Directors and vote on certain corporate acts in accordance with the RCC.
 2. Cumulative voting shall be used in the election of Directors.
 3. A Director shall not be removed without cause if it will deny minority Shareholders representation in the Board.

4. Right to vote on all matters that require Shareholders' consent or approval

2. Pre-emptive Rights

All Shareholders shall have pre-emptive rights, unless the same is denied in the Articles of Incorporation or amendments thereto. They shall have the right to subscribe to the capital stock of the Fund. The Articles of Incorporation shall lay down the specific rights and powers of Shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the RCC.

3. Power of Inspection

All Shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Manual and shall be furnished with annual reports, including financial statements, without costs or restrictions.

4. Right to Information

1. The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the Directors and Officers and certain other matters such as their holdings of the Fund's shares, dealings with the Fund, relationships among Directors and key Officers, and the aggregate compensation of Directors and Officers.
2. The minority Shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
3. The minority Shareholders shall have access to any and all information relating to matters for which Management is accountable for and to those relating to matters for which Management shall include such information and, if not included, then the minority Shareholders shall be allowed to propose to include such matters in the agenda of Shareholders' meetings, being within the definition of "legitimate purposes."

5. Right to Dividends

The Fund shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except when:

1. Justified by definite corporate expansion projects or programs approved by the Board;
2. The Fund is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or
3. When it can be clearly shown that such retention is necessary under special circumstances obtaining in the Fund, such as when there is a need for special reserves for probable contingencies.

6. Appraisal Right

The Shareholders' shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 81 of the RCC, under any of the following circumstances:

1. In case of any amendment to the Articles of Incorporation which has the effect of changing or restricting the rights of any Shareholders or class of shares, or of

authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the Fund's property and assets as provided in the RCC;
3. In case of merger or consolidation; and
4. In case of investment of corporate Funds for any purpose other than the primary purpose of the Fund.

The Board shall be transparent and fair in the conduct of the Annual and Special Shareholders' Meetings. The Shareholders shall be encouraged to personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the Shareholder's favor.

It is the duty of the Board to promote the rights of the Shareholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

Remedies For Infringement of Shareholders' Rights

The Board shall encourage the exercise of Shareholders' voting rights and the solution of collective action problems through appropriate mechanisms or alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.

Management shall ensure constant engagement and communication with Shareholders through a designated investor or customer relations officer. The Officer shall be present in Annual or Special Shareholders' Meetings and have a designated email address and telephone number to receive feedback, complaints, and queries.

Meetings of Shareholders

The Board shall take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the Shareholders' meaningful participation in meetings, whether in person or by proxy. In furtherance thereof, poll voting shall be highly encouraged as opposed to the show of hands. Proxy voting may be considered, including the electronic distribution of proxy materials. The right to vote may also be exercised through remote communication or *in absentia*⁹.

In cases where the Shareholders cannot physically attend Shareholders' meetings, they may do so through remote communications or other alternative modes of communication. If the Shareholder intends to participate in a meeting through remote communication, he shall notify the Corporate Secretary

Although all Shareholders shall be treated equally or without discrimination, the Board shall give minority Shareholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Fund. However, to prevent the abuse of this right, the Fund may require that the proposal be made by Shareholders holding a specified percentage of shares or voting rights. To ensure that minority Shareholders are not effectively prevented from exercising this right the degree of ownership concentration shall be considered in determining the threshold.

⁹ SEC Memorandum Circular No. 6; series of 2020 on the Guidelines on the Attendance and Participation of Directors, Trustees, Stockholders, Members, and Other Persons of Corporations in Regular and Special Meetings Through Teleconferencing, Video Conferencing and Other Remote or Electronic Means of Communication

Property of ALFM PESO BOND FUND, INC.

This document and the information herein are proprietary and for the internal use of the ALFM Peso Bond Fund, Inc. (the "Fund"). No part of this document shall be reproduced, published, transmitted, or distributed in any form or by any means, or stated in any information storage or retrieval system of any nature, nor should the materials be disclosed in any manner to third parties without prior express written authorization of the Fund.

All Shareholders shall be given the opportunity to nominate candidates to the Board, and/or cause the removal of any member thereof in accordance with the existing laws. The procedures of the nomination and removal process shall be discussed clearly by the Board. The Fund shall fully and promptly disclose all information regarding the expertise, experience and background of the candidates to enable the shareholders to study and conduct their own background check as to the candidates' qualification and credibility.

The result of the votes on matters taken during the most recent Annual or Special Shareholders' Meeting shall be made publicly available on the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting shall be available on the website.

Notice to Shareholders

Accurate and timely information shall be made available to the Shareholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval at least 21 days before the meeting. The Directors shall pave the way for the electronic filing and distribution of Shareholder information necessary to make informed decisions subject to legal constraints. In order for the Shareholders to plan their participation in the meeting, the notice shall also be posted on the Fund's website.

ARTICLE 13: STAKEHOLDERS' RIGHTS AND PROTECTION

The Board shall identify the Fund's various Stakeholders and promote cooperation in creating wealth, growth and sustainability. These Stakeholders shall include, among others, the Fund's customers, resource providers, creditors, holders of proprietary and non-proprietary rights. and the community in which it operates.

The Board shall ensure that fair, professional, and objective dealings, as well as clear, timely and regular communication with the Stakeholders ensure fair treatment and protection of their rights.

Clear policies and programs shall be in place to provide a mechanism on the fair treatment, protection, and enforcement of the rights of Stakeholders.

ARTICLE 14: COMPREHENSIVE AND COST-EFFICIENT ACCESS TO INFORMATION

The Fund shall maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for an informed decision-making by investors, Stakeholders and other interested users.

Contents of the Website:

1. Manual on Corporate Governance;
2. Annual Corporate Governance Report;
3. Board Charter;
4. Committee Charters, and
5. The Code of Business Conduct and Ethics.

ARTICLE 15: LIQUIDATION OF ASSETS AND WINDING UP OF THE FUND¹⁰

The Fund Manager shall carry out the liquidation of assets on behalf of the Fund. In all cases of revocation of the Registration Statement and Certificate of Permit to Offer Securities for Sale, the Fund Manager must liquidate the assets within a period of six (6) months from the receipt of the Fund of the Order revoking the Registration Statement or Certificate. The Fund shall wind up or amend its business purposes within one (1) year from receipt of the same.

The Fund or the Fund Manager shall inform the SEC of the status of the redemption of securities every 30th of January until all the shares have been fully redeemed¹¹.

ARTICLE 16: ADMINISTRATIVE SANCTIONS

1. To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Fund's Directors, Officers, staff, and affiliates and their respective Directors, Officers and staff in case of violation of any of the provisions of this Manual:
 1. In case of first violation, the subject person shall be reprimanded.
 2. Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.
 3. For the third violation, the maximum penalty of removal from office shall be imposed.
2. The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman the imposable penalty for such violation, for further review and approval of the Board.

ARTICLE 17: ADOPTION AND EFFECTIVITY OF REVISED MANUAL

Pursuant to the requirement of the SEC under Memorandum Circular No. 24; s. 2019, this amended Manual on Corporate Governance is signed on behalf of the registrant by the undersigned, thereunto duly authorized.

- Signature Page Follows -

¹⁰ SEC Memorandum Circular No. 21; series of 2019 on the Rules on the Appointment of Independent Oversight Entity, Independent Net Asset Value Calculation, Qualifications or Key Officers of Fund Managers, and Liquidation of Assets and Winding Up of Investment Companies

¹¹ Rule 13.1.8 of the ICA IRR on the Residual Obligation of the Investment Company with a Revoked Registration Statement.

SIGNATURES

ROMEO L. BERNARDO
Chairman

ATTY. PAOLO JOHN D. PURGANAN
Compliance Officer

ALFM Peso Bond Fund, Inc.

FINAL PROSPECTUS

ALFM Peso Bond Fund

*19/F, BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City 1209
Tel No. (02) 8580-0900*

(An Open-end investment company organized under Philippine Laws)

**An Offer of up to the Number of Authorized Shares of
ALFM Peso Bond Fund at an Offer Price of Net Asset Value per Share
on the date of subscription**

| | ALFM PESO BOND FUND |
|------------------------------------|----------------------------|
| Number of Authorized Shares | 400,000,000 |
| Minimum Initial Investment | PHP 5,000.00 |
| PAR value | PHP 100.00 |

**Securities will be traded over the counter through
SEC Certified Investment Solicitor (CISol) or via online facility**

BPI Investment Management, Inc.

Fund Manager

*19/F, BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City
Tel No. (02) 8580-0900*

BPI Investment Management, Inc., Tel. No. (02) 8580-0900

BPI Capital Corporation, Tel. Nos. (02) 8246-5101, (02) 8246-5103

COL Financial Group, Inc., Tel. No. (02) 8636-5411

First Metro Securities Brokerage Corporation, Tel. No. (02) 8859-0600


Wealth Securities, Inc., Tel. No. (02) 8772-8000

Unicapital Securities, Inc., Tel. Nos. (02) 8892-0991 to 96

Distributors

****The date of this PROSPECTUS is October 25, 2019.***

**THESE SECURITIES SHALL BE SOLD AND REDEEMED ONLY THROUGH THE
FUND'S DISTRIBUTORS. THE FUND'S SHARES SHALL NOT BE LISTED NOR
TRADED ON THE PHILIPPINE STOCK EXCHANGE. SHARES OF THE FUND ARE
NOT DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY,
ANY FINANCIAL INSTITUTION, AND ARE NOT INSURED WITH THE
PHILIPPINE DEPOSIT INSURANCE CORPORATION.**


Ms. Sherisa P. Nuesa
President
ALFM Peso Bond Fund, Inc.

ATTY. VIRGILIO R. BATALLA
 NOTARY PUBLIC FOR MAKATI CITY
 APPT NO. 16-02-0001 DEC. 31, 2020
 BOLLER 1172 109 43348
 MCLE COMPL. NO. 104, VI-0027250/4-4-2019
 IBP O.R. NO. 43732-15-1-19-19 MEMBER JAN. 29, 2007
 PTR NO. 730010-1-1-03, 2019- MAKATI CITY
 EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER ST.
 MAKATI CITY

ALFM PESO BOND FUND, INC.

| SUMMARY OF FEES TO BE DEDUCTED FROM THE FUND | |
|---|----------------------|
| Total Management Fee based on the average daily trading NAV of the Fund | 1.00% p.a. |
| Management Fee | 0.475% p.a. |
| Distribution Fee | 0.475% p.a. |
| Transfer Agent Fee | 0.050% p.a. |
| Sub-distribution Fee based on the outstanding daily balance of the Fund's shares distributed | 0.50% p.a. * |
| Safekeeping Fees based on face/nominal value of the securities at month end for fixed income securities and based on the market value of the portfolio at month end for local equities | |
| Scripless Securities / Book Entry | |
| Asset Size: USD 0 – USD 250 Mn | 1.50 bps p.a. |
| Above USD 250 Mn to USD 750 Mn | 1.25 bps p.a. |
| Above USD 750 Mn | 1.00 bps p.a. |
| Physical Securities | PhP 10,000 per month |
| 2018 External Audit Fee | PhP 2,146,140.06 |

* shall be taken from the 1.00% p.a. total management fee

| OTHER FEES | |
|---|------------|
| Maximum Sales Load, if any, to be collected from the subscribers, based on each amount invested by an applicant or Shareholder | 1.50% |
| Early Redemption Fee based on the amount redeemed | |
| 90 days or less | 1.00% flat |
| more than 90 days | none |

TABLE OF CONTENTS

| | |
|---|----|
| THE OFFER | 4 |
| USE OF PROCEEDS | 5 |
| SUMMARY OF FINANCIAL INFORMATION | 9 |
| RISK DISCLOSURE STATEMENT | 10 |
| RISK FACTORS AND RISK MONITORING AND MANAGEMENT..... | 11 |
| PRINCIPAL PARTIES TO THE OFFERS | 13 |
| DEFINITION OF TERMS | 14 |
| TERMS AND CONDITIONS OF THE OFFER | 17 |
| COMPANY BACKGROUND | 19 |
| DESCRIPTION OF CAPITAL STOCK..... | 21 |
| DIRECTORS, OFFICERS, AND SIGNIFICANT SHAREHOLDERS..... | 25 |
| CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS | 30 |
| PRINCIPAL PARTIES..... | 33 |
| PLAN OF DISTRIBUTION | 35 |
| MECHANICS OF THE FUND | 37 |
| PURCHASE OF SHARES | 37 |
| REDEMPTION OF SHARES | 37 |
| SPECIAL CONSIDERATIONS..... | 38 |
| PRICE DETERMINATION OF THE FUND'S ASSETS..... | 38 |
| DETERMINATION OF THE FUND'S NET ASSET VALUE | 38 |
| TAXATION..... | 39 |
| INVESTMENT OBJECTIVES AND RESTRICTIONS OF THE FUND | 40 |
| PHILIPPINE LAWS APPLICABLE TO THE COMPANY | 43 |
| GOVERNMENT POLICIES AND REGULATIONS..... | 45 |
| MANAGEMENT DISCUSSION OR ANALYSIS ON PLAN OF OPERATIONS | 46 |

THE OFFER

ALFM Peso Bond Fund

(The Fund is incorporated under the laws of the Republic of the Philippines)

The following summary about the Fund and the Offer is qualified by detailed information appearing elsewhere in this Prospectus. Cross references in this summary are to headings in the Prospectus.

This document relates to an Offer for subscription to the shares of common stock of the ALFM Peso Bond Fund.

This is an Offer of up to 400,000,000 shares of common stock of par value PhP100.00 each (the “Offer Shares”) in the capital stock of ALFM Peso Bond Fund, Inc. (“ALFM Peso” or the “Fund”) at the Fund’s prevailing Net Asset Value (“NAV”) per share, plus any applicable sales load, on the date of sale of the shares. The Fund may terminate the Offer at any time or when the number of Shares subscribed and paid for has reached 400,000,000 shares.

The Fund was incorporated on July 18, 1997 as Ayala Life Filipino Income Fund, Inc. with an authorized capitalization of PhP 200.0 Million consisting of 200,000,000 common shares of par value PhP1.00 per share. On August 27, 1997, the Fund was registered with the Securities and Exchange Commission as an open-end investment company under the Investment Company Act and the Revised Securities Act (now, the Securities Regulation Code). On April 3, 1998, the Fund’s Board of Directors and Shareholders approved certain amendments in the Articles of Incorporation which changed the Fund’s name to Ayala Life Fixed Income Fund, Inc. and which effected an increase in the Fund’s authorized capital stock to PhP1.0 Billion consisting of 10,000,000 common shares of par value PhP100.00 per share. The following table provides information on the history of the Fund’s authorized capital stock increases:

| Increase No. | Authorized Capital Stock | Date of SEC Approval |
|--------------|--------------------------|----------------------|
| 1 | 10,000,000 shares | August 21, 1998 |
| 2 | 20,000,000 shares | December 15, 1999 |
| 3 | 50,000,000 shares | June 13, 2000 |
| 4 | 70,000,000 shares | January 16, 2002 |
| 5 | 90,000,000 shares | June 20, 2002 |
| 6 | 120,000,000 shares | November 15, 2002 |
| 7 | 170,000,000 shares | October 17, 2003 |
| 8 | 200,000,000 shares | April 18, 2005 |
| 9 | 268,000,000 shares | September 2, 2005 |
| 10 | 340,000,000 shares | October 17, 2005 |
| 11 | 400,000,000 shares | August 15, 2014 |

The authorized capitalization now stands at PhP 40.0 Billion consisting of 400,000,000 shares with par value of PhP100.00 each. In case of a shortage of shares, the Fund may apply for an increase in authorized capital stock.

The ALFM Peso Bond Fund Inc. (“ALFM Peso” or the “Fund”) is a domestic corporation duly authorized to operate as an open-end investment company. The Fund has entered into a Management and Distribution Contract with BPI Investment Management, Inc. authorizing BPI Investment to purchase and sell investment securities for the account of the Fund. The Fund does not have employees of its own since the management and administration functions are already being handled by BPI Investment. The Fund has adopted a Manual of Corporate Governance and an Anti-Money Laundering Operating Manual. Monthly reporting of the Fund’s operations to the Board of Directors is being performed by BPI Investment to properly identify, assess and manage risks that may arise any time during the Fund’s daily operations. ALFM Peso does not own any property such as real estate, plant and equipment, mines, patents, etc. required to be disclosed under Annex C of SRC Rule 12.1.

The investment objective of the Fund is to generate a steady stream of income through investments in a diversified portfolio composed primarily of peso-denominated high-grade fixed income securities. ALFM Peso

Bond Fund may be classified as a moderately conservative investment which shall best cater to investors who seek a relatively stable return on investment that is slightly higher than traditional term deposit and who are willing to take minor negative fluctuations in returns.

USE OF PROCEEDS

The total proceeds from the sale of the 400,000,000 shares is estimated at PhP142.13 Billion (using PhP355.32 NAVPS as of October 24, 2019), which shall be used to purchase securities in accordance with the investment objective, policies and limitations of the Fund (*see section on Investment Objectives*). The Fund's main business is to invest the proceeds primarily in marketable securities and fixed-income instruments such as, but not limited to, Treasury Bills and other government securities and corporate notes and bonds, in line with the Fund's investment objectives. The Fund has entered into a Management and Distribution Contract with BPI Investment Management, Inc. authorizing BPI Investment to purchase and sell investment securities for the account of the Fund. Services include the investment and re-investment of the cash and other assets and the purchase and sale of securities which will form part of the investment portfolio of the Fund, in accordance with the investment policies or guidelines which the Board of Directors of the Fund may from time to time prescribe and in conformity with the Fund's Articles of Incorporation and By-Laws as may be amended from time to time, the Investment Company Act, and other applicable laws and regulations. The Custodian Bank shall hold relevant securities of the Fund including subscription payments or proceeds from the sale of this security, until they can be invested in marketable securities consistent with the Fund's objectives. No other funds outside the proceeds of this offer that is to be used to discharge any debt, acquire assets or finance the acquisition of other businesses, or to reimburse any director, shareholder, officer, or employee of the Fund for services rendered, assets previously transferred, money loaned or advanced. Total expenses paid out or projected to be paid out of the gross proceeds are the following: PhP1.42 Bn for management, distribution, advisory and transfer agent fees/other professional fees and filing fees & business registration license of PhP4.99 Mn.

THE OFFER SHARES

All of the Shares in issue or to be issued pursuant to the Offer have, or upon issue will have, identical rights and privileges. These are outlined in the section on "Description of Capital Stock" (page 21). The Offer Shares may be owned by any person regardless of citizenship or nationality, subject to the subsection on "Eligible Investors" under the section headed "Terms and Conditions of the Offer" (page 17). The liability of the shareholders is limited to their investment to the company.

Prospective investors in the Fund should carefully consider the matters addressed under "Risk Factors and Risk Monitoring and Management" (page 11) before making an investment. These risks include, but are not limited to, market risk, interest rate risk, liquidity risk, credit risk, inflation risk, reinvestment risk, foreign exchange risk, and the risk that the value of the Funds are **not** guaranteed and **not** insured with the Philippine Deposit Insurance Corporation.

REDEMPTIONS

The Fund is ready to redeem, at the applicable Net Asset Value per Share, all or any part of the Shares standing in the name of a Shareholder in the Fund. Unless redeemed earlier than the minimum holding period of 90 days when an Early Redemption Fee of 1% will apply, there is no redemption fee.

TOTAL EXPENSES OF THE FUNDS

The total expenses paid out or projected to be paid out of the gross proceeds of the Offer include, but are not limited to, filing fees, registration fees, legal research fees, business registration licenses, notarial fees, legal opinion fees, external auditor's fees, and management, distribution, advisory and transfer agent fees.

RESTRICTIONS ON THE USE OF PROCEEDS

No other funds outside the proceeds of this Offer shall be needed to accomplish the Fund's investment objectives. There is no material amount of the proceeds of these Offers that is to be used to discharge any debt,

acquire assets or finance the acquisition of other businesses, or to reimburse any director, shareholder, officer, or employee of the Fund for services rendered, assets previously transferred, or money loaned or advanced.

OFFERING PRICE

The offering price of the shares is the Fund's prevailing NAV per Share computed as of end-of-day on the date of purchase of the Shares, plus any applicable sales load.

DIVIDEND POLICY

The Corporation Code generally requires a Philippine corporation with surplus profits in excess of 100% of its paid-up capital to declare and distribute such surplus to its shareholders in the form of dividends. The Board of Directors of the Fund has adopted a policy, consistent with the Fund's objective of capital appreciation, to retain the surplus profits of the Fund in the retained earnings account. Such accumulation is reflected in the computation of the net asset value per share. Shareholders realize their gains when shares are redeemed. (Please refer to the discussion on Dividends under the section on "Description of Capital Stock" on page 22).

FUND MANAGER, PRINCIPAL DISTRIBUTOR, INVESTMENT ADVISOR AND TRANSFER AGENT

The Investment Manager (or "Fund Manager"), Principal Distributor, Investment Advisor and Transfer Agent of the Fund is BPI Investment Management, Inc. (or "BPI Investment"). As fund manager, BPI Investment shall formulate and implement the investment strategy, provide and render management, technical, and administrative services, whereby authorizing BPI Investment to purchase and sell investment securities for the account of the Fund. As investment advisor, it is tasked to render services which include investment research and advice; the preparation of economic, industry, market, corporate, and security analyses; and assistance and recommendations in the formulation of investment guidelines. As Transfer Agent, BPI Investment shall provide transfer agency services including the maintenance of the official stock and transfer book of the Fund, the issuance of shareholders' Transaction Advice, and payment of dividends, if any. For its services, BPI Investment shall charge a fee of not more than the rate stipulated below, based on the average daily trading NAV of the Fund.

| Name of Fund | Management Fee | Distribution Fee | Transfer Agent Fee |
|---------------------|----------------|------------------|--------------------|
| ALFM Peso Bond Fund | 0.475% p.a. | 0.475% p.a. | 0.050% p.a. |

DISTRIBUTORS

The Fund's Shares shall be made available to the public primarily through the Fund's authorized distributors, BPI Capital Corporation, BPI Investment Management, Inc., COL Financial Group, Inc., First Metro Securities Brokerage Corporation, Wealth Securities, Inc., and Unicapital Securities, Inc., as well as other authorized and accredited distribution firms. The foregoing companies were licensed by the Securities and Exchange Commission to distribute mutual fund securities to the public. The distribution fee payable to the distributors shall be based on the outstanding daily balance of the Fund's shares distributed, as follows, and shall be taken from the 1.00% p.a. total management fee:

| Sub-Distributor | Distribution Fee |
|--|------------------|
| BPI Capital Corporation | 0.50% p.a. |
| COL Financial Group, Inc. | 0.50% p.a. |
| First Metro Securities Brokerage Corporation | 0.50% p.a. |
| Wealth Securities, Inc. | 0.50% p.a. |
| Unicapital Securities, Inc. | 0.50% p.a. |

SALES LOADS

Sales Agents of the Fund's Distributors shall be entitled to collect a front-end Sales Load, based on each amount invested by an applicant or Shareholder in the Fund, in such percentages but not exceeding the rates stipulated below:

| Name of Fund | Amount Invested | Maximum Sales Load |
|---------------------|------------------------|---------------------------|
| ALFM Peso Bond Fund | Any amount | 1.50% |

There are no other incidental charges incurred in purchasing the Fund's shares aside from the applicable sales load fees, if not waived, as stated in this prospectus.

CUSTODIAN BANK

As required under the Investment Company Act, a custodian bank, Citibank, N.A., has been appointed by the Fund for the purpose of holding relevant securities of the Fund, including (if applicable) subscription payments or proceeds from the sale of the Shares, until they can be invested in the appropriate securities consistent with the Fund's objectives. The custodian bank charges the following safekeeping fees which is billed monthly based on face/nominal value of the securities at month end for fixed income securities and based on the market value of the portfolio at month end for local equities:

Scripless Securities / Book Entry

| | |
|--------------------------------|---------------|
| Asset Size: USD 0 – USD 250 Mn | 1.50 bps p.a. |
| Above USD 250 Mn to USD 750 Mn | 1.25 bps p.a. |
| Above USD 750 Mn | 1.00 bps p.a. |

Physical Securities PhP 10,000 per month

Minimum Monthly Relationship Fee of USD 1,000 per month

The custodian bank also charges the following transaction fees per transaction.

| <i>Scripless Securities</i> | Formatted Instructions | Unformatted/ Manual Instructions |
|--|------------------------|-------------------------------------|
| 0 – 1,000 transactions per month | PhP 50 | PhP 300 |
| Above 1,000 – 2,000 transactions per month | PhP 35 | |
| Above 2,000 transactions per month | PhP 25 | |

RECEIVING BANKS

The Bank of the Philippine Islands and BPI Family Savings Bank have been designated by the Fund as Receiving Banks where payments for Shares purchased may be made.

INDEPENDENT AUDITOR

Isla Lipana & Co. (formerly Joaquin Cunanan & Co.) has been appointed by the Fund as its External Auditor.

INFORMATION SUPPLIED BY THE FUND

Unless otherwise stated, the information contained in this document has been supplied by the Fund which accepts full responsibility for the accuracy of the information and confirm, having made all reasonable inquiries, that to the best of its knowledge and belief, there are no other material facts, the omission of which would make any statement in this document misleading in any material respect. Neither the delivery of this document nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

No dealer, salesman or other person has been authorized by the Fund or by the Distributors to issue any advertisement or to give any information or make any representation in connection with the offering or sale of the Offer Shares other than those contained in this document and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorized by the Fund or the Distributors.

This document does not constitute an offer or solicitation by any one in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make any such offer or solicitation. Each investor in the securities offered hereby must comply with all applicable laws and regulations in force in the jurisdiction in which it purchases, offers or sells such securities and must obtain the necessary consent, approval or permission for its purchase, offer or sale of such securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchase, offer or sale, and neither the Fund nor the Distributors shall have any responsibility thereof. Foreign investors interested in subscribing to the Offer Shares should inform themselves as to the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile and as to any relevant tax or foreign exchange control laws and regulations which may affect them.

This Prospectus sets forth concisely the information about the Fund that prospective investors will find helpful in making an investment decision. Investors are encouraged to read this Prospectus carefully and retain it for future reference. Additional information about the Fund has been filed with the Securities and Exchange Commission ("SEC") and is available upon request.

SUMMARY OF FINANCIAL INFORMATION

The following information was lifted from the Interim Financial Statements of the Fund for the period ended March 31, 2019 and Audited Financial Statements of the Fund for the years ending December 31, 2018 and December 31, 2017. The latest financial reports audited by the Fund's external auditor, Isla Lipana & Co., as of December 31, 2018, appear at the end of this Prospectus. The information set out below should be read in conjunction with the financial statements and related notes that are found in this Prospectus, starting on page 53.

ALFM PESO BOND FUND

| As of March 31, 2019 – In Thousand Pesos | | | |
|---|----------------|---------------------------------|-------------|
| Balance Sheet | | Income Statement | |
| Total Assets | PhP 50,342,524 | Revenues | PhP 798,548 |
| Total Liabilities | 49,890 | Expenses | 154,731 |
| | | Income Before Tax | 643,817 |
| | | Provision for Income Tax | 2,762 |
| Total Equity | 50,292,634 | Net Income | 641,055 |

Net Asset Value per Share as of March 31, 2019: PhP 347.15

| As of December 31, 2018 – In Thousand Pesos | | | |
|--|----------------|---------------------------------|---------------|
| Balance Sheet | | Income Statement | |
| Total Assets | PhP 54,007,521 | Revenues | PhP 2,056,904 |
| Total Liabilities | 46,565 | Expenses | 643,142 |
| | | Income Before Income Tax | 1,413,762 |
| | | Income Tax Expense | 491,570 |
| Total Equity | 53,960,956 | Net Income | 922,192 |

Net Asset Value per Share as of December 31, 2018: PhP 343.47

| As of December 31, 2017 – In Thousand Pesos | | | |
|--|----------------|---------------------------------|---------------|
| Balance Sheet | | Income Statement | |
| Total Assets | PhP 61,577,296 | Revenues | PhP 2,642,136 |
| Total Liabilities | 78,762 | Expenses | 1,023,427 |
| | | Income Before Income Tax | 1,618,709 |
| | | Income Tax Expense | 486,167 |
| Total Equity | 61,498,534 | Net Income | 1,132,542 |

Net Asset Value per Share as of December 31, 2017: PhP 337.11

RISK DISCLOSURE STATEMENT

GENERAL RISK WARNING

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

PRUDENCE REQUIRED

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

PROFESSIONAL ADVICE

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

RISK FACTORS AND RISK MONITORING AND MANAGEMENT

The NAVPS of the Fund may fluctuate due to various risk factors such as:

A. Factors External to the Fund, listed in the order of importance:

1) Market Risk

The risk that movement in the financial markets will adversely affect the value of investments of the Fund. To properly manage market risk, various risk measurement methodologies are utilized to quantify the potential change in portfolio value resulting from changes in security prices. Measures of risk-adjusted performance are also utilized. Market risk is controlled through the establishment of investment limits and by managing the fund according to investment guidelines and parameters that are consistent with its return objective and risk profile.

2) Interest Rate Risk

The risk that the value of the portfolio will decline as interest rates rise. Bond prices are inversely related to interest rates (ie. as interest rates increase, bond prices decrease). Interest rate risk is measured using duration and controlled through duration limits. To mitigate this risk, the Fund Manager closely monitor movements in interest rates.

3) Liquidity Risk

The risk that the investments of the Fund cannot be sold or converted into cash within a reasonable time or in instances where sale or conversion is possible but not at a fair price. A liquidity contingency plan, which provides a framework for addressing liquidity crisis situations is in place.

4) Credit Risk

The risk that the bond issuer may not be able to pay its debt when interest payments and maturity falls due. Credit risk is minimized through diversification. Investment and counterparty limits are also established and monitored regularly. All investment outlets and counterparties go through accreditation prior to the execution of investment transactions.

5) Inflation Risk

The risk that the return of your investments will not keep in pace with the increase in consumer prices. To mitigate inflation risk, the Fund Manager closely monitors inflation.

6) Reinvestment Risk

The risk associated with the possibility of having lower return when maturing securities or the interest earnings of funds are re-invested. To mitigate reinvestment risk, the Fund Manager closely monitors interest rate trends so as to re-invest at higher interest rates.

7) Foreign Exchange Risk

This is the possibility for an investor to experience losses from a decline in fund value when the market value of fixed income securities, settled in any other currency, held by the fund are converted/translated to Philippine Peso. To mitigate foreign exchange risk, the fund manager closely monitor the movements in the spot market.

B. Risks Inherent to the Fund, listed in the order of importance:

- 1) Investors in an open-end fund are exposed to the risk of dilution, since other investors are allowed to purchase shares and/or redeem their entire holdings any time. Given this inherent risk, the Fund Manager tries to lessen the frequency of withdrawals by imposing an early redemption fee for investors who redeem from the Fund during the stipulated minimum holding period. By doing this, investors are discouraged to

redeem during the minimum holding period, thereby allowing the Fund Manager to maximize the investments during the said period.

- 2) Unlike closed-end funds, the investment potential and capability of the Fund is limited by liquidity constraints as the Fund Manager should always ensure that there are sufficient liquid assets to service redemptions at any given time.
- 3) Unlike bank accounts, investment companies / mutual funds are neither insured with the PDIC nor any other agency of the government, nor guaranteed by the Fund Manager. Before investing in the Fund, investors are expected to understand that the Fund is not a bank deposit product and any income, or loss, shall be for the account of the investor. Investors are advised to read the Prospectus of the Fund, which may be obtained from authorized distributors, before deciding to invest. The Fund is registered with the Securities and Exchange Commission.
- 4) Mutual funds are subject to "manager risk," which is the potential for a fund to fail to achieve its objectives due to investment decisions by the Fund Manager, caused by the Fund Manager's ability, or failure, to "read the market" accurately. To mitigate this risk, the Fund Manager employs a thorough investment process, considering macroeconomic factors and integrating them in asset allocation models to optimize the return of the portfolio. The Fund Manager likewise keeps abreast of current market conditions through various trainings and seminars on fund management techniques as well as close coordination with various counterparties and regulators.

PRINCIPAL PARTIES TO THE OFFERS

| | |
|--------------------|---|
| Issuer | ALFM Peso Bond Fund, Inc. 19/F, BPI Buendia Center Sen. Gil J. Puyat Ave., Makati City |
| Fund Manager | BPI Investment Management, Inc. 19/F, BPI Buendia Center Sen. Gil J. Puyat Ave., Makati City |
| Distributors | BPI Investment Management, Inc. BPI Capital Corporation COL Financial Group, Inc. First Metro Securities Brokerage Corporation Wealth Securities, Inc. Unicapital Securities, Inc. |
| Investment Advisor | BPI Investment Management, Inc. 19/F, BPI Buendia Center Sen. Gil J. Puyat Ave., Makati City |
| Receiving Banks | Bank of the Philippine Islands BPI Building, Ayala Avenue cor. Paseo de Roxas Makati City BPI Family Savings Bank BPI Family Savings Bank Building, Paseo de Roxas cor. dela Rosa St., Makati City |
| Transfer Agent | BPI Investment Management, Inc. 19/F, BPI Buendia Center Sen. Gil J. Puyat Ave., Makati City |
| Custodian Bank | Citibank, N.A., Philippine Branch Citibank Tower, Citibank Plaza 8741 Paseo De Roxas Makati City |
| External Auditor | Isla Lipana & Co. Member firm of PriceWaterhouseCoopers 29th Floor, Philamlife Tower Paseo de Roxas, Makati City |

DEFINITION OF TERMS

| | |
|--|--|
| ALFM Mutual Funds | ALFM Peso Bond Fund, Inc. ALFM Dollar Bond Fund, Inc. ALFM Euro Bond Fund, Inc. Philippine Stock Index Fund, Corp. ALFM Growth Fund, Inc. ALFM Money Market Fund, Inc. ALFM Global Multi-Asset Income Fund, Inc. |
| BFSB | BPI Family Savings Bank |
| Bn | Billion |
| BPI | Bank of the Philippine Islands |
| BPI Capital | BPI Capital Corporation |
| BPI Investment | BPI Investment Management, Inc. |
| Bps | basis points (1/100 of 1% or 0.0001) |
| BSP | Bangko Sentral ng Pilipinas |
| Certified Investment Solicitor (CISol) | An individual, employed by a Distributor, who shall have taken and passed the mutual fund sales agents' licensing examination given by the SEC |
| Corporation | ALFM Peso Bond Fund, Inc. |
| Corporation Code | The Corporation Code of the Philippines (<i>Batas Pambansa Blg. 68</i>) |
| CPI | Consumer Price Index |
| Credit Authority | The Redemption Slip or the Fund Order Form for the Fund's Shares, signed by a Shareholder, authorizing the Receiving Bank to credit the proceeds from the sale of said Shares into the Shareholder's Settlement Account |
| Customer Referral Sheet | The application for subscription to the Offer Shares in the form prescribed |
| Debit Authority | The Payment Slip or the Fund Order Form for the Fund's Shares, signed by an applicant, authorizing the Receiving Bank to debit said applicant's Settlement Account for the full payment of the Shares applied for |
| Distributors | BPI Investment Management, Inc. BPI Capital Corporation COL Financial Group, Inc. First Metro Securities Brokerage Corporation Wealth Securities, Inc. Unicapital Securities, Inc. |
| Early Redemption Fee | The redemption fee of 1.0% imposed on redemptions made by Shareholders during the minimum holding period, which accrues to the Fund |

| | |
|------------------------|--|
| Fund | ALFM Peso Bond Fund, Inc. |
| Fund Manager | BPI Investment Management, Inc. |
| Investment Advisor | BPI Investment Management, Inc. |
| Investment Company Act | The Investment Company Act of 1960 (Republic Act No. 2629) |
| Minimum Holding Period | The period during which a 1.0% early redemption fee is charged for redemptions made, as follows: |

| Name of Fund | Minimum Holding Period |
|---------------------|-------------------------------|
| ALFM Peso Bond Fund | 90 days |

| | |
|-----|--|
| NAV | Net Asset Value, defined as the value of the assets of the Fund, less the value of the liabilities |
|-----|--|

| | |
|---------------|---|
| NAV per Share | NAV divided by the total number of Shares outstanding |
|---------------|---|

| | |
|-------|---|
| Offer | The Offer to the public for subscription to the maximum number of unclassified and voting common shares of the Fund at the Offer Price, as follows: |
|-------|---|

| Name of Fund | Maximum Number of Shares |
|---------------------|---------------------------------|
| ALFM Peso Bond Fund | 400,000,000 |

| | |
|-------------|--|
| Offer Price | The Fund's prevailing NAV per Share computed as of end-of-day on the date of purchase of the Shares, plus the applicable sales load, if any. |
|-------------|--|

| | |
|--------------|---|
| Offer Shares | The unclassified and voting common shares of the Fund |
|--------------|---|

| Name of Fund | Maximum Number of Shares |
|---------------------|---------------------------------|
| ALFM Peso Bond Fund | 400,000,000 |

| | |
|-----------|--|
| Par Value | The par value of the Shares, as shown below: |
|-----------|--|

| Name of Fund | Par Value (in PhP) |
|---------------------|---------------------------|
| ALFM Peso Bond Fund | 100.00 |

| | |
|-----|---------------------------------|
| PAS | Philippine Accounting Standards |
|-----|---------------------------------|

| | |
|------|---|
| PDEx | Philippine Dealing and Exchange Corporation |
|------|---|

| | |
|-------------|---|
| Peso or PhP | Philippine peso, the lawful currency of the Republic of the Philippines |
|-------------|---|

| | |
|------|---|
| PIFA | Philippine Investment Funds Association |
|------|---|

| | |
|------|---|
| PSEi | The Philippine Stock Exchange Composite Index |
|------|---|

| | |
|------------------|---|
| Redemption Price | The Fund's prevailing NAV per Share computed as of end-of-day on the date of sale of the Shares, less the applicable Early Redemption Fee, if any |
|------------------|---|

| | |
|---------------------------------|---|
| Registration Statement | The registration statement filed by the Fund with the SEC in compliance with the Securities Regulation Code and the Investment Company Act |
| Regular Subscription Plan (RSP) | The automated periodic purchase (i.e., monthly or quarterly) of the Fund's shares in a pre-determined fixed amount |
| Sales Load | The sales commission, if any, collected from the subscribers of the Shares and paid to the Distributors or their Certified Investment Solicitor (CISol) |
| SEC | The Securities and Exchange Commission of the Philippines |
| Securities Regulation Code | Republic Act No. 8799 |
| Servicing Agent | A Certified Investment Solicitor (CISol) of the Fund with whom a Shareholder shall transact purchases and redemptions of the Shares |
| Settlement Account | A BPI or BFSB current account or savings account required to be opened and maintained by each person or entity transacting the Shares against which all payments for Shares purchased shall be debited and into which all proceeds of Shares sold shall be credited |
| Shareholder | An owner of shares in the ALFM Peso Bond Fund |
| Shares | The unclassified and voting common stock of the ALFM Peso Bond Fund, issued out of the Fund's authorized capital stock or, when the context requires, the Fund's outstanding capital stock including the Offer Shares |
| Transaction Advice | The evidence of ownership of a Shareholder's holdings in the Fund |
| Valuation Day | A trading day when the Fund is made available for buying or selling and on which date the Fund Manager shall determine the NAV of the Fund |

TERMS AND CONDITIONS OF THE OFFER

Eligible Investors

The Shares of the Fund may be held by any person of legal age, or by a duly authorized and existing corporation, partnership or other entity regardless of nationality. However, because the Fund shall invest in shares of stock of Philippine corporations, Philippine law limits foreign ownership of the Fund to a maximum of forty percent (40%) of the Fund's issued and outstanding capital stock. The Fund, through the Transfer Agent, has the right not to permit nor allow the issuance or transfer of shares of the Fund which would reduce the ownership by Philippine nationals of the Fund's outstanding capital stock to less than 60%.

Any applicant for subscription to the Offer Shares shall declare and warrant that he is of legal age or, in the case of a corporate applicant, that there are no legal restrictions prohibiting its acquisition of the Shares applied for and that such applicant is otherwise eligible to remain a Shareholder of the Fund throughout the duration of the period that he owns Shares of the Fund.

The Offer

The Fund is offering to the public its unclassified and voting common shares at the Offer Price. The Shares shall be made available for sale until the earlier of: (i) the date the Fund terminates the Offer, or (ii) the date when the number of Shares subscribed and paid for has reached the Authorized Capital Stock indicated below:

| Name of Fund | Authorized Capital Stock |
|---------------------|--------------------------|
| ALFM Peso Bond Fund | 400,000,000 |

The Offer Price

The Shares shall be offered at an Offer Price based on the NAV per Share computed by the end-of-day of each valuation date, plus the applicable Sales Load, if any. Shares applied for after the Cut-off Time shall be offered at an Offer Price based on the NAV per share calculated as of the next valuation day.

Cut-off Time

1:30 p.m. of a valuation day

Minimum Subscription

A minimum subscription amount or worth of Shares shall be considered for each new application. The Fund, subject to the approval of its Board of Directors, may change such initial subscription amount and minimum additional subscription amount, including that of the Regular Subscription Plan (RSP). Securities sold shall be on cash basis. Installment sales are hereby expressly prohibited. In a Regular Subscription Plan, the investor purchases shares in a periodic frequency (i.e., monthly or quarterly) and at a fixed amount, the minimum of which is similar to the minimum additional subscriptions.

| Name of Fund | Minimum Initial Subscription Amount | Minimum Additional Subscription (including for RSP) |
|---------------------|-------------------------------------|---|
| ALFM Peso Bond Fund | PhP 5,000.00 | PhP 1,000.00 |

Minimum Maintaining Balance

At any time, Shareholders should have holdings in the Fund worth at least:

| Name of Fund | Minimum Maintaining Balance |
|---------------------|-----------------------------|
| ALFM Peso Bond Fund | PhP 5,000.00 |

Minimum Partial Redemption

Redemptions by Shareholders from the Fund should be worth at least:

| Name of Fund | Minimum Partial Redemption |
|---------------------|----------------------------|
| ALFM Peso Bond Fund | PhP 1,000.00 |

Should a partial redemption result in the investment falling below the required Minimum Maintaining Balance, the entire shareholdings of the Shareholder, multiplied by the applicable NAV per Share as of the date of the partial redemption, shall be paid to the said Shareholder via a credit to his Settlement Account, without need of prior notice to the Shareholder, unless the shareholder redeems before the Minimum Holding Period, there will be no redemption fee; otherwise, the Early Redemption Fee of 1% will be applied.

Payment for the Shares

Shares applied for shall be paid in full via a Debit Authority against the applicant's Settlement Account signed by the applicant on the date of application. The Purchase Order should be received before the Fund's cut-off time. Purchase orders received after the cut-off time shall be considered as orders for the next valuation day. The applicant's Settlement Account shall be earmarked in real-time for the subscription amount and the actual debit shall be done at end-of-day after the Offer Price for the day shall have been determined.

Registration of Investments

The registration of foreign investments in the Offer Shares with the proper Philippine Government authorities or authorized agents shall be the responsibility of the affected foreign investor.

COMPANY BACKGROUND

The ALFM Peso Bond Fund Inc. (“ALFM Peso” or the “Fund”) is a domestic corporation duly authorized to operate as an open-end investment company. The Fund was incorporated on July 18, 1997 as Ayala Life Filipino Income Fund, Inc. with an authorized capitalization of PhP 200.0 Million consisting of 200,000,000 common shares of par value PhP1.00 per share. On August 27, 1997, the Fund was registered with the Securities and Exchange Commission as an open-end investment company under the Investment Company Act and the Revised Securities Act (now, the Securities Regulation Code). On April 3, 1998, the Fund’s Board of Directors and Shareholders approved certain amendments in the Articles of Incorporation which changed the Fund’s name to Ayala Life Fixed Income Fund, Inc. and which effected an increase in the Fund’s authorized capital stock to PhP1.0 Billion consisting of 10,000,000 common shares of par value PhP100.00 per share. The following table provides information on the history of the Fund’s authorized capital stock increases through the years:

| Increase No. | Authorized Capital Stock | Date of SEC Approval |
|---------------------|---------------------------------|-----------------------------|
| 1 | 10,000,000 shares | August 21, 1998 |
| 2 | 20,000,000 shares | December 15, 1999 |
| 3 | 50,000,000 shares | June 13, 2000 |
| 4 | 70,000,000 shares | January 16, 2002 |
| 5 | 90,000,000 shares | June 20, 2002 |
| 6 | 120,000,000 shares | November 15, 2002 |
| 7 | 170,000,000 shares | October 17, 2003 |
| 8 | 200,000,000 shares | April 18, 2005 |
| 9 | 268,000,000 shares | September 2, 2005 |
| 10 | 340,000,000 shares | October 17, 2005 |
| 11 | 400,000,000 shares | August 15, 2014 |

On May 23, 2001, the Board of Directors and Shareholders of the Fund approved the increase in Authorized Capital Stock to PhP 50.0 Billion consisting of 500,000,000 common shares of par value PhP100.00 per share, and to be implemented in tranches. The Authorized Capital Stock of the Fund currently stands at PhP 40.0 Billion consisting of 400,000,000 common shares of par value PhP100.00 per share.

The Fund has entered into a Management and Distribution Contract with BPI Investment Management, Inc. authorizing BPI Investment to purchase and sell investment securities for the account of the Fund. The Fund does not have employees of its own since the management and administration functions are already being handled by BPI Investment. The Fund has adopted a Manual of Corporate Governance and an Anti-Money Laundering Operating Manual. Monthly reporting of the Fund’s operations to the Board of Directors is being performed by BPI Investment to properly identify, assess and manage risks that may arise any time during the Fund’s daily operations. ALFM Peso does not own any property *such as* real estate, plant and equipment, mines, patents, etc. required to be disclosed under Annex C of SRC Rule 12.1.

ALFM Peso is categorized as a Peso-denominated bond fund. There are currently seventy (70) investment companies in the Philippines, of which eleven (11) are Peso-denominated bond funds. ALFM Peso competes directly with the other Peso-denominated bond funds currently available in the market (i.e., Philam Bond Fund, Inc., Sun Life Prosperity Bond Fund, Inc., Sun Life Prosperity GS Fund, Inc., ATRAM Corporate Bond Fund, Inc. (formerly, Prudentiallife Fixed Income Fund, Inc.), Cocolife Fixed Income Fund, Inc., First Metro Save and Learn Fixed Income Fund, Inc., Philequity Peso Bond Fund, Inc., Ekklesia Mutual Fund, Inc., Grepalife Fixed Income Fund Corp., and Soldivo Bond Fund, Inc.). With about PhP 45.08 Billion in Net Asset Value as of September 30, 2019, ALFM Peso stands as the largest mutual fund in the country, accounting for 74% of the Peso-denominated bond fund segment, and 16% of the entire mutual fund industry.

The principal method of competition in this industry is the fund performance or fund return measured as the NAV per share appreciation over time. The Fund will rely on the active management of its appointed Fund Manager to outperform its benchmark and its peers. The Fund is also aided by the wide network of its appointed distributors and the distribution reputation of the ALFM Mutual Funds brand to provide a steady inflow of fresh funds for the effective management of the Fund’s portfolio.

ALFM Peso, as an investment company, will be regularly dealing with the following principal parties, among others, as follows:

Fund Manager, Investment Advisor
and Transfer Agent:
Fund Distributors:

BPI Investment Management, Inc.
BPI Investment Management, Inc.
BPI Capital Corporation
COL Financial Group, Inc.
First Metro Securities Brokerage Corporation
Wealth Securities, Inc.
Unicapital Securities, Inc.

ALFM Peso believes that government regulations are intended to strengthen the industry for the benefit of the investing public and will, thus, comply with the regulations imposed as may be instituted by the regulatory authorities.

REGULATORY SUPERVISION

Investment companies are regulated by the Securities and Exchange Commission and are registered under the Investment Company Act of 1960 and the Securities Regulation Code (“SRC”) of 2000. Prior to the SRC, investment companies were registered under the Revised Securities Act. Any amendments to these or their implementing rules and other applicable laws may have effects on the operations of investment companies. Moving forward, market and regulatory developments such as the proposed Collective Investments Schemes Law and the Asian Region Fund Passporting, will further drive and shape the mutual fund landscape.

LEGAL PROCEEDINGS

The Fund, the Fund Manager, and their Directors and Officers, have not been involved in any material legal proceeding since the Fund’s incorporation.

ANNUAL MEETING OF THE SHAREHOLDERS

The annual meeting of the shareholders shall be held every last Friday of May or such other date determined by the Board of the Directors of the Fund.

DESCRIPTION OF CAPITAL STOCK

I. Capital Structure

The ALFM Peso Bond Fund's authorized capital stock is shown in the table below:

| Name of Fund | Number of Authorized Shares | Par Value (in PhP) | Authorized Capital Stock (in PhP) |
|---------------------|--------------------------------|-----------------------|---|
| ALFM Peso Bond Fund | 400,000,000 | 100.00 | 40,000,000,000 |

The Fund shall offer to the public common shares to be priced at the Net Asset Value per Share, determined at end-of-day of each valuation date, plus any applicable sales load.

II. Rights and Privileges

A. Voting Rights

The Fund shall issue only one (1) class of common shares. The Shares have identical rights and privileges, including voting rights. Each Share entitles the holder thereof to one vote at any meeting of Shareholders of the Fund. Shareholders shall have cumulative voting rights for the election of the Fund's directors.

B. Preemptive Rights

The Corporation Code confers preemptive rights to shareholders of a Philippine corporation and entitles them to subscribe to all issues or other dispositions of shares by the corporation in proportion to their respective shareholdings, regardless of whether the shares proposed to be issued or otherwise disposed of are identical in all respects to the shares held. However, a Philippine corporation may provide for the exclusion of these preemptive rights in its Articles of Incorporation and By-Laws.

The Fund's Articles of Incorporation deny preemptive rights to the Shareholders. Therefore, Shareholders of the Fund ***do not have*** the preemptive right to subscribe to any new issue of shares nor the right to purchase any disposition by the Fund of any of its treasury shares. Furthermore, no Shareholder shall have a preemptive nor other right to purchase, subscribe for, or take any part of any stock or any other securities convertible into, or carrying options or warrants to purchase, shares of the Fund. Any part of such stock or other securities may at any time be issued, optioned for sale, and sold or disposed of by the Fund pursuant to the resolution of its Board of Directors, to such persons and upon such terms as may, to such Board, seem proper, without first offering such stock or securities or any part thereof to existing Shareholders.

C. Appraisal Right

Under the Corporation Code, Shareholders who dissent from certain corporate actions (including the merger or sale of all or substantially all of the assets of the Fund) may demand payment of the fair market value (net asset value) of their Shares in certain circumstances. The fair value at which the shares of a dissenting shareholder may be sold to the corporation may be agreed upon by the parties. If they cannot reach agreement, it shall be determined by an independent committee. Payment of the shares of a dissenting shareholder may be made only if the corporation has unrestricted retained earnings to purchase the shares.

Rights of the Shareholders in case of Dissolution of the Investment Company and the Dissolution Plan

The Fund may be dissolved by a majority vote of the Board of Directors and by a resolution duly adopted by the affirmative vote of the investors owning at least two-thirds (2/3) of the outstanding capital stock of the Fund. Investors shall continue to possess all existing rights as shareholders of the Fund.

The Fund will liquidate its assets within six (6) months from receipt of the Order revoking the registration statement of the Fund. During such time, the Fund will no longer accept additional subscriptions and will only allow redemptions of shares based on the prevailing NAVPS. The daily NAVPS of the Fund will continuously be computed and published, as long as practicable.

Other than the foregoing, there are no other material rights for common shareholders of the Fund.

III. Dividends

The Corporation Code generally requires a Philippine corporation with surplus profits in excess of 100% of its paid-up capital to declare and distribute such surplus to its shareholders in the form of dividends. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus when (i) justified by definite expansion plans approved by its Board of Directors; (ii) the required consent of any financing institution or creditor to such distribution is not forthcoming; or (iii) it can be clearly shown that such retention is necessary under special circumstances.

Dividends payable out of the surplus profits of the Fund shall be declared at such time as the Board of Directors shall determine. No dividend shall be declared which shall impair the capital of the Fund. Stock dividends may be declared in accordance with law. The Fund may pay dividends in cash, property or in additional shares, or in some combination of the foregoing. To date, there were no distributions of dividends to stockholders. The Board has no plans of declaring dividends, given the Fund's objective. Surplus profits, if any, will be used to invest in financial securities for the Fund. However, the Board of Directors of the Fund may amend the dividend policy as conditions warrant. In said event, declaration of cash dividends is limited to the declaration made by the Fund's Board of Directors.

IV. Other Provisions

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

MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDERS' MATTERS

Principal Market

The Shares of the ALFM Peso Bond Fund are available for purchase primarily by resident citizens or investors of legal age, or by duly authorized and existing corporations, partnerships or other entities, subject to existing Philippine laws, through Certified Investment Solicitor (CISol) of the Fund's Distributors. Investors who want exposure in a diversified portfolio of high-grade investment instruments and securities, with at least a medium-term investment horizon, are the primary target market of the Fund. The Shares of the Fund are not traded publicly on an exchange since the Fund stands ready to redeem or buy back the Shares from the Shareholders any time.

Shares of the Fund may be purchased from the Distributors or their Sales Agents at an Offer Price based on the Fund's NAV per Share any time before Cut-Off, plus the applicable sales load, if any. Shares applied for after the Cut-off Time shall be considered as applied for on the next valuation day.

Stated below are the NAV per Share of the Fund at the end of the quarters from 2007 to 2019.

| Market Price (NAVPS in Pesos) | 2011 | 2010 | 2009 | 2008 | 2007 |
|-------------------------------|--------|--------|--------|--------|--------|
| Quarter ending March 31 | 264.41 | 246.01 | 235.35 | 225.02 | 213.60 |
| Quarter ending June 30 | 267.18 | 249.35 | 237.93 | 225.67 | 215.00 |
| Quarter ending September 30 | 272.61 | 259.20 | 240.61 | 227.94 | 217.94 |
| Quarter ending December 31 | 283.25 | 265.21 | 243.26 | 232.27 | 222.83 |

| Market Price (NAVPS in Pesos) | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Quarter ending March 31 | 337.83 | 331.33 | 326.04 | 321.80 | 313.51 | 315.95 | 286.81 |
| Quarter ending June 30 | 338.54 | 333.89 | 330.15 | 322.67 | 314.06 | 316.65 | 288.22 |
| Quarter ending September 30 | 341.64 | 336.54 | 331.09 | 323.91 | 316.74 | 313.97 | 293.93 |
| Quarter ending December 31 | 343.47 | 337.11 | 329.84 | 322.84 | 319.25 | 313.86 | 299.89 |

| Market Price (NAVPS in Pesos) | 2019 |
|--------------------------------------|-------------|
| Quarter ending March 31 | 347.15 |
| Quarter ending June 30 | 350.30 |
| Quarter ending September 30 | 354.50 |
| Quarter ending December 31 | - |

Stated below are the High and Low Net Asset Value Per Share (NAVPS) for the indicated quarters:

| | | 2013 | | 2012 | | 2011 | | 2010 | | 2009 | |
|----------------|-------------|-------------|--------|-------------|--------|-------------|--------|-------------|--------|-------------|--------|
| Jan-Mar | high | 3/31/13 | 315.95 | 2/19/12 | 289.09 | 01/05/11 | 265.64 | 03/31/10 | 246.01 | 03/27/09 | 235.46 |
| | low | 1/1/13 | 299.92 | 1/3/12 | 282.40 | 02/17/11 | 262.49 | 01/04/10 | 243.26 | 01/05/09 | 232.39 |
| Apr-Jun | high | 5/26/13 | 322.69 | 6/30/12 | 288.22 | 6/30/11 | 267.18 | 6/29/10 | 249.32 | 06/01/09 | 237.89 |
| | low | 4/11/13 | 315.81 | 5/20/12 | 285.51 | 4/1/11 | 264.41 | 4/6/10 | 246.08 | 04/01/09 | 235.36 |
| Jul-Sep | high | 8/15/13 | 317.34 | 9/30/12 | 293.93 | 9/13/11 | 273.30 | 9/30/10 | 259.20 | 09/30/09 | 240.58 |
| | low | 9/27/13 | 313.50 | 7/1/12 | 288.25 | 7/2/11 | 266.84 | 7/1/10 | 249.40 | 07/01/09 | 237.93 |
| Oct-Dec | high | 11/7/13 | 316.17 | 12/10/12 | 300.07 | 12/21/11 | 283.44 | 12/29/10 | 265.31 | 12/21/09 | 243.01 |
| | low | 12/17/13 | 313.00 | 10/9/12 | 293.59 | 10/5/11 | 272.49 | 10/1/10 | 259.19 | 10/06/09 | 239.74 |

| | | 2018 | | 2017 | | 2016 | | 2015 | | 2014 | |
|----------------|-------------|----------------------------|--------|--------------------|--------|-------------|--------|---------------------------|--------|-------------|--------|
| Jan-Mar | high | 03/28/18 | 337.75 | 3/21/17 | 331.58 | 3/30/16 | 326.30 | 2/5/15 | 321.96 | 3/18/14 | 313.98 |
| | low | 01/08/18 | 336.99 | 1/3/17 | 329.40 | 1/4/16 | 322.39 | 1/5/15 | 319.30 | 2/13/14 | 310.35 |
| Apr-Jun | high | 05/31/18 | 338.74 | 6/30/17 | 333.89 | 6/29/16 | 330.38 | 6/24/15 and 6/29/15 | 322.79 | 5/30/14 | 314.63 |
| | low | 04/02/18 | 337.74 | 4/4/17 | 331.18 | 4/12/16 | 325.70 | 5/4/15 | 320.81 | 5/5/14 | 312.57 |
| Jul-Sep | high | 09/28/18 | 341.58 | 9/29/17 | 336.52 | 9/9/16 | 331.57 | 8/11/15 | 324.16 | 9/30/14 | 316.74 |
| | low | 07/03/18 | 338.67 | 7/3/17 & 7/3/17 | 333.70 | 7/1/16 | 329.93 | 7/2/15 | 322.50 | 7/2/14 | 313.93 |
| Oct-Dec | high | 12/26/18 to 12/28/18 | 343.38 | 12/29/17 | 337.07 | 10/3/16 | 331.45 | 10/28/15 | 324.10 | 12/31/14 | 319.25 |
| | low | 10/19/18 | 341.24 | 11/10/17 | 335.74 | 11/25/16 | 328.12 | 12/10/15 | 322.18 | 10/1/14 | 316.83 |

| | | 2019 | |
|----------------|-------------|-----------------------------|--------|
| Jan-Mar | high | 03/29/19 | 347.08 |
| | low | 01/02/19 | 343.48 |
| Apr-Jun | high | 06/28/19 | 350.24 |
| | low | 04/02/19 | 347.24 |
| Jul-Sep | high | 09/30/19 | 354.49 |
| | low | 07/01/19 and 07/03/19 | 350.32 |
| Oct-Dec | high | - | - |
| | low | - | - |

Number of Shareholders

The table below shows the Fund's total number of shareholders as of September 30, 2019:

| Name of Fund | Number of Shareholders |
|---------------------|-------------------------------|
| ALFM Peso Bond Fund | 25,536 |

Share Options and Treasury Shares

None of the Shares of the Fund are covered by options.

Issue of Shares

The Fund may issue additional Shares to any person, subject to the restrictions as may be stated in their Articles of Incorporation and/or By-Laws, and for a consideration based on Net Asset Value per Share.

Stock Certificates

In the interest of economy and convenience, definitive stock certificates representing the Fund's Shares shall not be issued unless requested by a Shareholder in writing addressed directly to the Fund through the Fund's Sales Agents. In lieu of stock certificates, the Fund shall issue Transaction Advice to Shareholders.

In case a stock certificate is issued, such certificate shall be returned to the Fund in the event of full or partial redemption by the holder thereof. The stock certificate shall be cancelled and no new certificate shall be issued until the cancelled certificate shall have been returned to its original place in the stock certificate transfer book. The necessary expenses for each certificate of stock issued or transferred shall be borne by the Shareholder who requested such issuance or transfer.

Share Register

The Fund's official share register shall be maintained by the Corporate Secretary, through the Fund's Service Administrator, who shall likewise be principally responsible for the maintenance of the official stock and transfer book of the Fund, the issuance of Transaction Advice to shareholders, and payment of dividends, *if any*.

Recent Sales of Unregistered or Exempt Securities Including Recent Issuances of Securities Constituting an Exempt Transaction

Not applicable. The shares of the Fund are registered under the Investment Company Act (ICA) and the Securities Regulation Code (SRC).

DIRECTORS, OFFICERS, AND SIGNIFICANT SHAREHOLDERS

The following, who are all Filipino citizens, are the Fund's Directors and Officers as of the date of this Prospectus:

1. Romeo L. Bernardo, Chairman / Independent Director

Mr. Bernardo, Filipino, born in 1954, 65 years old, is the Chairman of the fund since 2003. He is also the Chairman of ALFM Money Market Fund, Inc. from 2009 to present, ALFM Growth Fund, Inc. from 2007 to present, ALFM Dollar Bond Fund, Inc. from 2003 to present, ALFM Euro Bond Fund, Inc. from 2005 to present, Philippine Stock Index Fund, Corp. from 2007 to present, and ALFM Global Multi-Asset Income Fund, Inc. from 2018 to present. He is currently the Managing Director of Lazaro Bernardo Tiu & Associates, Inc. and GlobalSource economist in the Philippines. Mr. Bernardo is likewise a director of several companies and organizations including Aboitiz Power, BPI, Globe Telecom Inc., RFM Corporation, Philippine Investment Management, Inc. (PHINMA), BPI-Philam Life Assurance Corporation, National Reinsurance Corporation of the Philippines, Financial Executives Institute of the Philippines (FINEX) Foundation. Mr. Bernardo was an Alternate Executive director of the Asian Development Bank from 1997 to 1998 and Undersecretary for International Finance, Privatization & Treasury Operations of the Department of Finance of the Republic of the Philippines from 1990 to 1996. Mr. Bernardo received a Bachelor of Science degree in Business Economics (magna cum laude) from the University of the Philippines and a Masters in Development Economics degree from Williams College in Williamstown, Massachusetts.

2. Simon R. Paterno, Vice Chairperson / Regular Director

Mr. Simon R. Paterno, Filipino, born in 1959, 60 years old, served as Head of the Financial Products and Services Group of the Bank of the Philippine Islands. He was responsible for managing the product businesses of the Bank, including Investment Banking, Corporate Loans, Transaction Banking, Retail Lending, Cards and Payments, Asset Management and Trust, Electronic Channels, and Deposits. He also supervised subsidiaries and affiliates in insurance, leasing, and merchant acquiring. He was a member of the Management Committee of BPI. Mr. Paterno is the former President and CEO of the Development Bank of the Philippines, serving from 2002-2004. He worked for 18 years at the New York, Hong Kong, and Manila offices of J.P. Morgan, serving finally as Managing Director in charge of sovereign clients during the Asian Financial Crisis of 1997-98, and as Country Manager for the Philippines until 2002. He also worked for 8 years at Credit Suisse as Managing Director and Country Manager for the Philippines. Mr. Paterno obtained his MBA from Stanford University in 1984. He was awarded his A.B., cum laude, Honors Program in Economics from Ateneo de Manila University in 1980. In 2005, he was elected President of the Management Association of the Philippines. He serves on the boards of the Foundation for Economic Freedom and Ateneo Scholarship Foundation. He was named a TOYM awardee for Investment Banking in 1999.

3. Sherisa P. Nuesa, President / Regular Director

Sherisa P. Nuesa, Filipino, born in 1954, 65 years old, is a former Managing Director of conglomerate Ayala Corporation until her retirement in 2011. Currently, she is a member of the Boards of Directors/Trustees of: Manila Water Company, the ALFM Mutual Funds, Far Eastern University, Inc., the Generika group of companies, FERN Realty Corp. and East Asia Computer Center. She also serves as a Board Trustee of The Institute of Corporate Directors (ICD), Judicial Reform Initiative and Financial Executives Institute of the Phils (FINEX). She is also a Senior Board Adviser of Metro Retail Stores Group Inc. (MRSIG) and Board Adviser/Consultant of VICSAL Development Corporation. As a Managing Director of Ayala Corp., she served in various senior management positions: 1) Chief Finance Officer and Chief Administrative Officer, Integrated Micro-Electronics, Inc. - IMI (January 2009 to July 2010); 2) Chief Finance Officer, Manila Water Company Inc. - MWC (January 2000 to December 2008); 3) Group Controller and later Vice President for Commercial Centers, Ayala Land, Inc. - ALI (January 1989 to March 1999); and 4) member of the boards of various subsidiaries of ALI, MWC and IMI. Ms. Nuesa attended the Advanced Management Program of the Harvard Business School in the US in June 1999 and completed her Master in Business Administration (MBA) degree from the Ateneo-Regis Graduate School of Business in 2011. She also attended the Financial Management Program of the Stanford University in 1991 and Audit Committee Seminar for Directors at Harvard Business School in 2016. A Certified Public Accountant, she holds a BS in Commerce degree (Summa cum Laude, 1974) from the Far Eastern University. She is the ING-FINEX CFO of the Year awardee for the year 2008.

4. John Philip S. Orbeta, Independent Director

Mr. John Philip S. Orbeta, Filipino, born in 1961, 58 years old, is currently the Managing Director, Chief Human Resources Officer and Group Head for Corporate Resources at Ayala Corporation, covering Strategic Human Resources, Information & Communications Technology, AC Synergy, Knowledge Management, and Corporate Support Services. He has served as a member of the Ayala Corporation Management Committee since May 2005 and the Ayala Group Management Committee since April 2009. He is currently the Chairman of Ayala Aviation Corporation, Ayala Group HR Council, Ayala Group Corporate Security Council and Ayala Business Clubs; Chairman and President of HCX Technology Partners, Inc.; and Vice Chairman of Ayala Group Club, Inc. Mr. Orbeta also serves as a Board Director of AG Counselors Corporation, AC Industrial Technology Holdings, Inc., Ayala Foundation Inc., Ayala Healthcare Holdings, Inc., Ayala Retirement Fund Holdings, Inc., ZapFam Inc., BPI Family Bank, Inc., ALFM Growth Fund, Inc., ALFM Money Market Fund, Inc., ALFM Dollar Bond Fund, Inc., ALFM Euro Bond Fund, Inc., ALFM Global Multi-Asset Income Fund, Inc. and the Philippine Stock Index Fund Corp. Mr. Orbeta previously served as the President and CEO of Ayala Automotive Holdings Corporation and Automobile Central Enterprise, Inc. (Philippine importer of Volkswagen) and the Chairman and CEO of Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc. and Iconic Dealership, Inc., and Board Director of Honda Cars Cebu, Inc and Isuzu Cebu Inc. Prior to joining Ayala Corporation, he was the Vice President and Global Practice Director of the Human Capital Consulting Group at Watson Wyatt Worldwide (now Willis Towers Watson), overseeing the firm's practices in executive compensation, strategic rewards, data services and organization effectiveness around the world. He was also a member of Watson Wyatt's Board of Directors. He graduated with a degree in A.B. Economics from the Ateneo de Manila University in 1982.

5. Adelbert A. Legasto, Regular Director

Mr. Adelbert A. Legasto, Filipino, born in 1947, 71 years old, is also a director of ALFM Dollar Bond Fund, Inc., ALFM Euro Bond Fund, Inc., ALFM Money Market Fund, Inc., ALFM Growth Fund, Inc., the Philippine Stock Index Fund, Corp., ALFM Global Multi-Asset Income Fund, Inc., and BPI Investment Management, Inc.. He has served as Governor of the Philippine Stock Exchange 1994-96, Governor of the Makati Stock Exchange 1994-97, was an incorporator of the Philippine Central Depository (PCD), and served as President of the Trust Officers Association of the Philippines in 1998-99. He graduated from the Ateneo de Manila University with an A.B. Economics degree and completed his M.B.A. academics at the Ateneo Graduate School of Business. He completed the Pension Funds and Money Management from the Wharton School of the University of Pennsylvania, and Investment Management at the CFA Institute at the Harvard Business School in Boston, Massachusetts.

Other Officers of the Fund

1. Fernando J. Sison III – Treasurer

Mr. Fernando J. Sison III, Filipino, born in 1952, 67 years old, is the Treasurer of the Fund since 2004. He used to be the President of BPI Investment Management, Inc. from May 2004 up to June 2012. He previously served as Vice President and head of many of BPI's divisions, including AMTG Retail Trust Division, AMTG Portfolio Management Division, SDG Retail Funds Distribution, and Private Banking Unit. He was assigned to BPI International Finance Ltd. (HK) as Head of Investment Management Division and to BPI Capital Corporation – Corporate Finance Group as Vice President and Head of Syndications and Underwriting. He completed the corporate finance module of JP Morgan in New York and underwent on-the-job training in corporate finance with JP Morgan in Hong Kong. He previously served as President of the Investment Company Association of the Philippines (ICAP) for 3 terms up to 2006 and as Chairman of the Board of the Philippine Investment Funds Association (PIFA), formerly ICAP, for 5 terms up to 2012-2013. He served as Industry Governor of the Market Governance Board of the Philippine Dealing and Exchange Corp. in 2008 and 2011 and as Alternate Governor for 5 terms. He is a SEC-licensed Certified Investment Solicitor from 2001 to 2012. He is currently the Investments Administrator and the Director for Business Affairs of the Ateneo de Manila University. He is a member of the Retirement Commission and the Investment Committee of the CEAP Retirement Fund. He is also a member of the Board of Senior Advisers of PIFA. Mr. Sison graduated from the Ateneo de Manila University in 1974 with the degree A.B. General Studies (Honorable Mention). He obtained his M.B.A. degree in 1976 from the University of the Philippines (Diliman).

2. Atty. Sabino B. Padilla IV, Corporate Secretary and Compliance Officer

Atty. Sabino B. Padilla IV, born in 1960, 59 years old, is the Corporate Secretary and Compliance Officer of the ALFM Mutual Funds. Atty. Padilla graduated with a degree in Bachelor of Laws from the University of the Philippines in 1985. He then received his Master of Laws from the Harvard University, USA in 1988. He is currently a partner of the Padilla Law Office which is legal counsel to BPI and its subsidiaries and to various religious orders, societies and congregations for men and women as well as educational institutions and hospitals operated by them. He is also the Corporate Secretary and Compliance Officer of other mutual funds such as the Solidaritas Fund and Ekklesia Mutual Fund.

3. Atty. Francis Lorenz E. Espiritu, Chief Data Protection Officer and Chief Risk Officer

Atty. Francis Lorenz E. Espiritu, born in 1987, 32 years old, is the Chief Data Protection Officer and Chief Risk Officer of the Fund. Atty. Espiritu graduated with a Juris Doctor degree from the Ateneo Law School in 2011 and became a member of the Philippine Bar in 2012. He is currently the Risk Management and Compliance Officer of BPI Investment Management, Inc., which is the Fund Manager, Principal Distributor, Investment Advisor and Transfer Agent of the ALFM Mutual Funds.

Significant employees

The ALFM Peso Bond Fund does not have employees of its own since the management of the Fund is already being handled by its Fund Manager, BPI Investment Management, Inc. The Fund (registrant) does not have a parent company.

Additional Information Required under Annex C of SRC Rule 12.1:

- ☐ The incorporators of the Fund are:

Mr. Manuel Q. Bengson, Mr. Ramon F.R. Medina, Mr. Ambrosio B. Mangilit, Jr., Mr. Jose R. Facundo, and Mr. Fernando Zobel de Ayala

- ☐ Each Director shall serve for a term of one (1) year from his appointment and until his successor has been duly elected and qualified, provided, however, that any Director may be removed from office at any time with or without cause by a 3/4 vote of the subscribed capital stock entitled to vote. Other than this, the Fund has no existing employment contract with any of the Fund's Directors.
- ☐ Mr. Romeo L. Bernardo and Mr. John Philip S. Orbeta are the Independent Directors of the Fund. An independent director is a person not having any relationship or position in the Fund, or in parties related to the Fund, the holding of which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, in compliance with Section 38 of the Securities Regulation Code.

- ☐ Security Ownership of Management, as of September 30, 2019:

| Title of Class | Name of Owner | Position | Amount and Nature of Ownership | Citizenship | Percentage |
|----------------|----------------------------|---|--------------------------------|-------------|------------|
| Common | Romeo L. Bernardo | Chairman/ Independent Director | 2,936 (record, beneficial) | Filipino | 0.0023% |
| Common | Sherisa P. Nuesa | Director/President | 20 (beneficial) | Filipino | 0.0000% |
| Common | Adelbert A. Legasto | Director | 53,212 (record, beneficial) | Filipino | 0.0418% |
| Common | Simon R. Paterno | Director | 328 (record, beneficial) | Filipino | 0.0003% |
| Common | John Philip S. Orbeta | Independent Director | 20 (beneficial) | Filipino | 0.0000% |
| Common | Fernando J. Sison III | Treasurer | 10,105 (record) | Filipino | 0.0079% |
| Common | Sabino B. Padilla IV | Corp. Secretary/ Compliance Officer | 0 | Filipino | 0.0000% |
| Common | Francis Lorenz E. Espiritu | Chief Data Protection Officer/ Chief Risk Officer | 0 | Filipino | 0.0000% |

- ☐ Each Director and Officer is compensated an amount for every Board meeting attended, as shown in the table below:

| Director / Officer | Position | Year | Salary | Bonus | Other Salary |
|----------------------------|---|------------------|------------|-------|--------------|
| Romeo L. Bernardo | Chairman | 2010 | 187,000.00 | - | - |
| | | 2011 | 187,000.00 | - | - |
| | | 2012 | 221,000.00 | - | - |
| | | 2013 | 267,750.00 | - | - |
| | | 2014 | 267,750.00 | - | - |
| | | 2015 | 242,250.00 | - | - |
| | | 2016 | 165,750.00 | - | - |
| | | 2017 | 191,250.00 | - | - |
| | | 2018 | 175,500.00 | - | - |
| | | 2019 (estimated) | 360,000.00 | - | - |
| Simon R. Paterno | Director (Starting March 23, 2015) | 2010 | - | - | - |
| | | 2011 | - | - | - |
| | | 2012 | - | - | - |
| | | 2013 | - | - | - |
| | | 2014 | - | - | - |
| | | 2015 | - | - | - |
| | | 2016 | - | - | - |
| | | 2017 | - | - | - |
| | | 2018 | - | - | - |
| | | 2019 (estimated) | 180,000.00 | - | - |
| Sherisa P. Nuesa | Director (Starting April 2012) | 2010 | - | - | - |
| | | 2011 | - | - | - |
| | | 2012 | 102,000.00 | - | - |
| | | 2013 | 306,000.00 | - | - |
| | | 2014 | 267,750.00 | - | - |
| | | 2015 | 216,750.00 | - | - |
| | | 2016 | 191,250.00 | - | - |
| | | 2017 | 191,250.00 | - | - |
| | | 2018 | 175,500.00 | - | - |
| | | 2019 (estimated) | 360,000.00 | - | - |
| John Philip S. Orbeta | Independent Director (Starting April 2012) | 2010 | - | - | - |
| | | 2011 | - | - | - |
| | | 2012 | 102,000.00 | - | - |
| | | 2013 | 216,750.00 | - | - |
| | | 2014 | 178,500.00 | - | - |
| | | 2015 | 178,500.00 | - | - |
| | | 2016 | 153,000.00 | - | - |
| | | 2017 | 153,000.00 | - | - |
| | | 2018 | 127,500.00 | - | - |
| | | 2019 (estimated) | 360,000.00 | - | - |
| Adelbert A. Legasto | Director (Until December 2012) (Starting June 2015) | 2010 | 214,450.00 | - | - |
| | | 2011 | 187,000.00 | - | - |
| | | 2012 | 221,000.00 | - | - |
| | | 2013 | - | - | - |
| | | 2014 | - | - | - |
| | | 2015 | 127,500.00 | - | - |
| | | 2016 | 165,750.00 | - | - |
| | | 2017 | 165,750.00 | - | - |
| | | 2018 | 189,000.00 | - | - |
| | | 2019 (estimated) | 360,000.00 | - | - |
| Atty. Sabino B. Padilla IV | Corporate Secretary and Compliance Officer | 2010 | 187,000.00 | - | - |
| | | 2011 | 187,000.00 | - | - |
| | | 2012 | 221,000.00 | - | - |

| | | | | | |
|----------------------------------|--|------------------|------------|---|---|
| | | 2013 | 318,750.00 | - | - |
| | | 2014 | 280,500.00 | - | - |
| | | 2015 | 255,000.00 | - | - |
| | | 2016 | 204,000.00 | - | - |
| | | 2017 | 191,250.00 | - | - |
| | | 2018 | 189,000.00 | - | - |
| | | 2019 (estimated) | 360,000.00 | - | - |
| Fernando J. Sison III | Treasurer | 2010 | - | - | - |
| | | 2011 | - | - | - |
| | | 2012 | 102,000.00 | - | - |
| | | 2013 | 293,250.00 | - | - |
| | | 2014 | 280,500.00 | - | - |
| | | 2015 | 165,750.00 | - | - |
| | | 2016 | 178,500.00 | - | - |
| | | 2017 | 178,500.00 | - | - |
| | | 2018 | 162,000.00 | - | - |
| | | 2019 (estimated) | 360,000.00 | - | - |
| Atty. Francis Lorenz E. Espiritu | Chief Data Protection Officer and Chief Risk Officer | 2017 | - | - | - |
| | | 2018 | - | - | - |
| | | 2019 (estimated) | - | - | - |

- ❑ There are no other standard or consulting arrangements or any compensatory plan relating to resignation / retirement by which Directors and Officers are to be compensated other than that previously stated.
- ❑ No current Director of the ALFM Peso Bond Fund, or employees of the Fund Manager, or Investment Advisor, or any of the Distributors, is related to each other up to the fourth civil degree either by consanguinity or affinity. No Director of the ALFM Peso Bond Fund has been the subject of any legal or criminal proceedings during the past five (5) years.

Corporate Governance

The Fund has adopted a Manual of Corporate Governance to institutionalize the principles of good corporate governance in the entire organization. To measure or determine the level of compliance of the Board of Directors and Officers with the Fund's Manual of Corporate Governance, the Fund shall establish a review or evaluation system and shall submit the required Certification on the Fund's Compliance with its Manual of Corporate Governance. The company continuously evaluates the level of compliance of the Board of Directors and top level management with its Manual on Corporate Governance through a self-rating and peer evaluation system complemented by 180 degrees feedback mechanism. There has been no deviation from the Fund's Manual of Corporate Governance as of the date of this Prospectus. Other measures being undertaken by the Fund to fully comply with the adopted leading practices on good corporate governance are: (i) strict compliance on the appointment of Independent Directors; (ii) separation of the functions of the Chairman and the President; and (iii) the creation of an Audit Committee chaired by an Independent Director.

Anti-Money Laundering, FATCA and Counter-Terrorist Financing Policies

The Fund has adopted BPI Investment's Money Laundering and Terrorist Financing Prevention Program (MLPP). BPI Investment's MLPP is based on Republic Act No. 9160 or the "Anti-Money Laundering Act of 2011", as amended, and the Securities and Exchange Commission's ("SEC") Memorandum Circular No. 2 Series of 2010 on the Revised Guidelines in the Preparation of the Anti-Money Laundering Operating Manual for SEC Covered Institutions.

Investors of the Fund, including their beneficial owners, are required to undergo Customer Due Diligence (CDD), also known as Know-Your-Customer (KYC) for identity verification. In case of corporate and juridical entities, the legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf, shall also be verified.

Investor transactions may be reported to the Anti-Money Laundering Council (AMLC) if they fall under the parameters provided by law or the MLPP.

The Fund has also adopted BPI Investment's policy on the Foreign Account Tax Compliance Act. Based on the information provided by the investor, BPI Investment will determine the FATCA status of the investor. The name, address, and U.S. TIN of identified U.S. Persons will be reported to the Bureau of Internal Revenue (BIR) or Internal Revenue Service (IRS) of the United States, as the case may be, including all other information required under the relevant FATCA regulations.

Procedures to Ensure Compliance with Relevant Laws and Regulation

To ensure the Fund's compliance with relevant laws and regulation, the Fund has appointed a Compliance Officer while the Fund Manager has its own Compliance Officer. The Compliance Officer is tasked to monitor and assess the overall implementation of the Compliance Program.

The Fund Manager's Compliance Program is designed to: (1) identify relevant laws and regulations affecting the Fund and the corresponding effects of non-compliance; (2) conduct periodic compliance testing and subsequent reporting of findings or exceptions noted to appropriate levels of management; and (3) provide for annual specific action plan or activities aimed at developing and maintaining a strong compliance culture and discipline within the entire organization.

The Compliance Officer, in coordination with management or the Board of Directors, shall take the initiative to update the Compliance Program to ensure compliance with new laws and regulations that are enacted or issued and to formulate new control processes in response to regulatory changes. To this end, the Fund Manager shall develop and maintain a constructive working relationship with various regulatory agencies through continuing dialogues and/or consultations geared towards a uniform understanding of laws and regulations, prompt resolution of issues and concerns.

Certain Relationships and Related Transactions

There were no transactions (or series of similar transactions) with or involving the company in which a director, executive officer, or stockholder owning ten percent (10%) or more of the Fund's total outstanding shares and members of their immediate family had or is to have a direct or indirect material interest.

Notwithstanding the above, Mr. Adelbert A. Legasto is a Director of the Fund and is also a Director of BPI Investment Management, Inc. (BIMI).

Dealings with related parties such as deposit or investment products of BPI are done on an arm's length basis and in accordance with the best execution requirements set in the established internal guidelines.

BPI Investment was designated as fund manager and investment advisor of the Fund.

As fund manager, BPI Investment shall formulate and implement the investment strategy, provide and render management, technical, and administrative services, whereby authorizing BPI Investment to purchase and sell investment securities for the account of the Fund. As investment advisor, it is tasked to render services which include investment research and advice; the preparation of economic, industry, market, corporate, and security analyses; and assistance and recommendations in the formulation of investment guidelines. For its services, the Fund pays BPI Investment a fee of not more than 1.00% p.a. of the Fund's average daily trading NAV.

The Fund has distribution agreements with subsidiaries of BPI, namely, BPI Investment and BPI Capital Corporation (BPI Capital). Under the terms of the agreement, BPI Investment and BPI Capital are appointed as co-distributors to perform principally all related daily functions in connection with the marketing and the growth of the level of assets of the Fund for a fee of 0.50% p.a. based on the outstanding daily balance of the Fund's shares distributed. Such agreements are effective year after year unless terminated by each parties. BPI and its thrift bank subsidiary, BPI Family Savings Bank, Inc., act as the receiving banks for the contributions and withdrawals related to the Fund as transacted by the distributors and shareholders.

Voting Trust Holders of More Than 5%

There is no existing voting trust or similar agreement entered into by Shareholders owning more than 5% of the Shares.

Legal Proceedings

The Fund is not party to any material pending legal proceedings.

Involvement in Certain Legal Proceedings

During the last five (5) years and material to evaluation, none of the Directors or Officers of the Fund were involved in any bankruptcy petition filed by or against any business of which any Director or Officer was a General Partner or Executive Officer either at the time of the bankruptcy or within two (2) years prior to that time; none were convicted by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses; none were subject to any Order, judgment or decree not subsequently reversed, suspended or vacated, of any Court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities, or banking activities; and none were found by a domestic or foreign Court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or a self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended or vacated.

Changes in Control

There is no existing arrangement which is known to the Fund which may result in the change of control in the Fund.

External Audit Fees

Audit and Audit Fees

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Isla Lipana & Co. is the appointed external auditor of the Fund's financial statements for the year then ending with the objective of expressing an opinion on them. The audit shall be made in accordance with the Philippine Standards on Auditing and accordingly includes such tests of the accounting records and other auditing procedures as they would consider necessary. There are no other related services that the external auditor performed aside from the services mentioned above and no other fees billed related to tax services.

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Audit fees paid for the years 2018 and 2017:

| | 2018 | 2017 |
|------------|------------------|------------------|
| Audit fees | PhP 2,146,140.06 | PhP 2,499,500.06 |

Audit Policies

The Audit Committee approves any engagement for the services of the external auditor. The final draft of the Audited Financial Statement is presented to the Audit Committee, before the Board's final approval and confirmation.

Changes in and Disagreements with Account on Accounting and Financial Disclosure

Ms. Blesida A. Pestaño was the signing partner for the external auditor from fiscal year 2009 to 2013. For the Fund's Financial Statements as of December 31, 2014, December 31, 2015, December 31, 2016, December 31, 2017 and December 31, 2018, the signing partner is Mr. John-John Patrick V. Lim. The corporation is compliant with SRC Rule 68, as amended Part 1(3)(b)(ix) re: 5-year rotation of external auditor. In taking this action, the members of the Board of Directors considered carefully Isla Lipana and Co.'s performance, its independence with respect to the services to be performed and its general reputation for adherence to professional auditing standards.

In the recent fiscal year external audit done by Isla Lipana & Co., there were no material disagreements with regard to accounting procedures and financial disclosures.

PRINCIPAL PARTIES

THE FUND MANAGER

BPI Investment Management, Inc. (“BPI Investment”), a wholly-owned subsidiary of the Bank of the Philippine Islands, is the Fund’s Investment Manager. It is tasked to formulate and implement the investment strategy of the Fund, and to provide and render management, technical, and administrative services to the Fund. BPI Investment was incorporated as Ayala Investment Management, Inc. on July 30, 1974 to principally engage in the business of managing an investment company. On March 5, 1991, the SEC approved the change in corporate name to the present name. BPI Investment is licensed by the SEC to act as Investment Company Adviser of mutual funds.

The Fund Manager does not have any existing arrangement with the Fund for the right to designate or nominate the members of the Board of Directors.

BPI Investment is also the Principal Distributor, Service Administrator, Investment Advisor, and Transfer Agent of the Fund.

The members of the Board of Directors of BPI Investment as of the date of this Prospectus are as follows:

1. Mercedita S. Nollado, Chairman

Ms. Nollado, Filipino, born in 1941, 78 years old, is the Chairman of BPI Investment Management, Inc. She has also been a member of the Board of Directors of BPI since 1991. She is also the Chairman of the Bank’s Retirement & Pension and Trust Committees and a member of the Bank’s Executive and Corporate Governance Committees. Ms. Nollado is also a Director of the following BPI subsidiaries and affiliates: BPI Family Savings Bank, Inc. and BPI Capital Corporation. Ms. Nollado serves as Director of the following companies: Ayala Land Commercial REIT, Inc., Michigan Holdings, Inc., Anvaya Cove Beach and Nature Club, Inc., Ayala Automotive Holdings Corporation, Honda Cars Cebu, Inc., Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc., Isuzu Cebu, Inc., Prime Initiatives, Inc., and Xurpas, Inc. She is also a member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc. as well as Vice-President of Sonoma Properties, Inc. She used to be a member of the Board of Directors of Ayala Corporation from 2004 until September 2010. She became a Director of D&L Industries, Inc. starting in 2016. Ms. Nollado graduated with the degree of Bachelor of Science in Business Administration major in Accounting from the University of the Philippines in 1960 and placed second at the Certified Public Accountant Licensure Board Examination administered in the same year. In 1965, she obtained her Bachelor of Laws degree also from the University of the Philippines where she also placed second at the Bar Examination held in the same year.

2. Roberto Martin S. Enrile, President

Mr. Enrile, Filipino, born in 1969, 50 years old, is the President of BPI Investment Management, Inc. He served as head of Equities department of BPI Asset Management and Trust Corporation. With over 20 years of experience, Mr. Enrile has been in the banking and trust industry particularly in the capital markets. Prior to joining BPI, he was the head of Investments at Security Bank AMG and was with the Research, Investment Banking and Asset Management of ATR Kim Eng, now Maybank-ATR. Mr. Enrile was a graduate of FW Olin Graduate School of Business at Babson College where he earned a degree in Finance, minor in Entrepreneurship. He is also an alumnus of the Ateneo de Manila University with a Bachelor’s Degree in Business Management.

3. Ma. Ysabel P. Sylanteng, Independent Director

Ms. Sylanteng, Filipino, born in 1951, 67 years old, was Executive Vice-President of the Bank of the Philippine Islands, and Head of the Card Banking Division and Customer Relationship Management Group from 2005 to 2012. She joined BPI in 1983 with the rank of Assistant Vice-President. Her past directorships include Santiago Land Development Corporation, First Far East Development Corporation, FEB Speed International, Inc., BPI Direct Savings Bank, Inc., Prudential Bank and Pilipinas Savings Bank. She currently serves as an independent director of BPI Family Savings Bank, Inc. She graduated with AB-BSC major in Accounting from the Assumption College in 1973 and obtained her MBA from the Stanford University in 1977. She is a Certified Public Accountant.

4. Jesus V. Razon, Jr., Independent Director

Mr. Razon, Filipino, born in 1946, 73 years old, served as Senior Vice President of BPI and Head of the Human Resources Group. He also served as Head of the Consumer Banking Group – Metro Manila Branches. He serves as an independent director of BPI Family Savings Bank, Inc. and BPI Direct BankKO Inc., A Savings Bank (formerly known as BPI Direct Savings Bank, Inc.). His past directorships include BPI Operations Management Corp.; BPI Paseo de Roxas Condominium Corp.; Ayala Life Assurance, Inc.; FGU Insurance Corp.; BPI Forex Corp.; and Premiere Development Bank. Mr. Razon graduated from the Ateneo de Manila University with an A.B. Economics degree and earned his Master in Management degree from the Asian Institute of Management.

5. Adelbert A. Legasto, Regular Director

Mr. Legasto, Filipino, born in 1947, 71 years old, is also a director of ALFM Money Market Fund, Inc., ALFM Peso Bond Fund, Inc., ALFM Dollar Bond Fund, Inc., ALFM Euro Bond Fund, Inc., ALFM Growth Fund, Inc., ALFM Global Multi-Asset Income Fund, Inc., and the Philippine Stock Index Fund, Corp. He has served as Governor of the Philippine Stock Exchange 1994-96, Governor of the Makati Stock Exchange 1994-97, was an incorporator of the Philippine Central Depository (PCD), and served as President of the Trust Officers Association of the Philippines in 1998-99. He graduated from the Ateneo de Manila University with an A.B. Economics degree and completed his M.B.A. academics at the Ateneo Graduate School of Business. He completed the Pension Funds and Money Management from the Wharton School of the University of Pennsylvania, and Investment Management at the CFA Institute at the Harvard Business School in Boston, Massachusetts.

LIABILITY OF BPI INVESTMENT

Nothing in this Prospectus shall be construed as a guaranty of return or income; nor does it entitle the INVESTOR/s to a fixed rate of return on the money invested by him/her in the FUND. BPI Investment shall not be liable for any loss or depreciation in the value of the FUND or in the value of INVESTOR's shareholdings unless attributable to BPI Investment's act of fraud, willful default, gross negligence or evident bad faith. It is understood that mutual funds are not bank deposit products, not guaranteed by BPI Investment, not covered by the Philippine Deposit Insurance Corporation, and that losses, if any, are for the sole account of the INVESTOR/s.

MANAGEMENT AND DISTRIBUTION CONTRACT

The Fund vests upon the Fund Manager the authority, without need of prior approval or prior notification to the Fund, to purchase and sell securities and otherwise make or dispose of investments for the account of the Fund, within the limits of the guidelines set by law, the regulations set by the SEC, and the investment policies of the Fund.

The Fund Manager is further authorized to take charge of the collection of dividends, interests or other payments due on all securities owned by the Fund and shall, on behalf of and for the benefit of the Fund, exercise any and all rights of the Fund appurtenant to such securities such as the exercise of any preemptive rights, redemption rights, options, and others. The Fund Manager shall use voting rights for quorum purposes only. Nonetheless, in the event of unusual circumstances, the Fund Manager may request the Fund in writing for permission to exercise voting rights for other specified purposes.

The Fund Manager shall also provide transfer agency services including the maintenance of the official stock and transfer book of the Fund, the issuance of shareholders' Transaction Advice, and payment of dividends, if any.

BPI Investment shall also act as the Fund's Investment Advisor and is tasked to render services which include investment research and advice; the preparation of economic, industry, market, corporate, and security analyses; and assistance and recommendations in the formulation of investment guidelines.

For its services, the Fund Manager is entitled to charge a management, distribution, advisory and transfer agent fee based on the average daily trading Net Asset Value of the Fund, in such rates as are stipulated on page 6 of this Prospectus.

PLAN OF DISTRIBUTION

There are no Shares designated to be sold to specified persons. There is no plan to apply for listing in any exchange the Shares of the registrants. Consequently, none of the registrant's Shares are to be allocated to an exchange and/or to its members.

The Distributors of the Fund are BPI Capital Corporation; BPI Investment Management, Inc.; COL Financial Group, Inc.; First Metro Securities Brokerage Corporation; Wealth Securities, Inc.; and Unicapital Securities, Inc. All are distributors licensed by the Securities and Exchange Commission. Shares of the fund will be sold through SEC Certified Investment Solicitor (CISol) or via online facility of a CISol licensed institution. Distributors, through their CISol/s, shall comply with the Suitability Rule.

Institutions who wish to distribute the Fund's shares shall enter into an agreement with the principal distributor and the Fund. The said agreement shall contain all commercial and operational terms in the distribution and processing of the Fund's shares. Prior to distributing the shares of the Fund, the appointed third-party distributor shall secure a mutual fund distribution license from the Securities and Exchange Commission and shall be renewed as per the requirement of the regulatory body. Shares distributed by a third-party distributor shall have the same right with the shares distributed by the principal distributor.

The Distributors shall be entitled to collect a Sales Load based on each amount invested by an applicant or Shareholder in the Fund, in such maximum percentages as are stipulated on page 7 of this Prospectus, and shall have the discretion to establish the sharing of such Sales Load that is entitled to be received by its Sales Agents.

THE CUSTODIAN BANK

Citibank, N.A. is the Fund's Custodian Bank. Under the Custodianship Agreement, Citibank, N.A. shall be responsible for the safekeeping of appropriate monies and securities of the Fund as Custodian. Citibank, N.A. shall be entitled to collect a fee which shall be negotiated between the Fund and Citibank, N.A.

THE RECEIVING BANKS

The Bank of the Philippine Islands and BPI Family Savings Bank shall serve as the Fund's receiving banks (the "Receiving Banks"). Payments for Shares purchased by applicants or existing Shareholders shall be deposited by the Servicing Agents into the Fund's settlement account maintained with the Receiving Banks. The proceeds of Shares redeemed from Shareholders shall be debited from the Fund's settlement account maintained with the Receiving Banks.

OTHER INFORMATION REQUIRED

The Fund has no independent counsel or expert hired on a contingent basis.

HANDLING CUSTOMERS' COMPLAINT

For any concerns, investors can contact BPI Investment thru (02) 8580-0900. Investors may also send an e-mail at bpi_investment@bpi.com.ph.

The fund manager will acknowledge the receipt of the concern/complaints within three (3) business days and log the same to "Complaints Log". Clients will be informed on the resolution within fourteen (14) calendar days for simple issues/request and sixty (60) calendar days for complex issues/request.

In case of improper handling, investors may refer their concerns to the SEC at <http://imessagemo.sec.gov.ph/login.php>.

POLICIES ON CONFLICT OF INTEREST AND MANAGEMENT AND PROCEDURES IN MONITORING AND RESOLVING CONFLICTS OF INTEREST

The directors and officers of the Fund are expected to act in the best interest of the Fund in a manner characterized by transparency, accountability and fairness. Directors and officers of the Fund should conduct fair business transactions with the Fund, and ensure that his or her personal interest does not conflict with the interests of the Fund.

The basic principle to be observed is that a director or officer should not use his or her position to profit or gain some benefit or advantage for himself or herself and/or his or her related interests. A director or officer should avoid situations that may compromise his or her impartiality.

To avoid or minimize future conflict of interest situations, the Nomination Committee of the Fund shall consider the possibility for such occurrences when determining potential nominees for directorships of the Fund. The Board of Directors shall likewise consider the same standard when appointing officers of the Fund.

If an actual or potential conflict of interest may arise on the part of a director or officer, he or she should fully and immediately disclose it and should not participate in the decision-making process. A director or officer who has a continuing material conflict of interest should seriously consider resigning from his or her position.

MECHANICS OF THE FUND

The Fund's Shares shall be offered through the accredited Distributors of the Fund. The Distributors shall be entitled to collect a front-end Sales Load based on each amount invested by an applicant or Shareholder in the Fund, in such percentages as are stipulated on page 7 of this Prospectus. The Distributors shall have the discretion to establish the sharing of such Sales Load that their Sales Agents are entitled to receive.

PURCHASE OF SHARES

Each new applicant shall fill out, either electronically or manually, a Customer Referral Sheet and a Payment Slip or Fund Order Form which may be obtained from, or provided by, any authorized Distributor. Applicant shall also fill out a Client Suitability Assessment Form to determine the client's understanding of the risks related to investing. Applicants undertake to sign all documents and/or perform such acts as may be necessary to enable them to be registered as holders of the Shares applied for and under their respective accepted Applications. In addition, if the applicant is a corporation, partnership or trust, the Application must be accompanied by the following documents: (1) a notarized Board Resolution covering the authority to invest in the Fund and designating the authorized signatories; (2) a certified true copy of the SEC Certificate of Registration, the Articles of Incorporation or other constitutive documents, the By-Laws, and General Information Sheet. For subsequent applications by a Shareholder, only a Payment Slip or Fund Order Form need be signed.

The Payment Slip or Fund Order Form shall indicate the gross amount of investment. The number of Shares that an investor will be able to buy will be determined as and when the Fund's NAVPS shall have been computed and accordingly made available at the end of the day. The investor's Settlement Account will be automatically debited at the end of the day for the amount of whole shares purchased, including the Sales Load, if any.

Subscription Orders received on or before 1:30 p.m. (the "Cut-off Time") on any valuation day will be processed at the NAVPS applicable on that day. Subscriptions Orders received after the Cut-off Time shall be deemed to have been received on the next valuation day and will be processed at the NAVPS applicable on that day.

REDEMPTION OF SHARES

The Fund agrees to purchase, and each Shareholder of the Fund shall be entitled to require the Fund to purchase, but not in the event and to the extent that the Fund has no assets legally available for such purpose whether arising out of capital, paid-in surplus or other surplus, net profits or otherwise, all or any part of the Shares outstanding in the name of such Shareholder in the books of the Fund, but only at the Redemption Price as of the valuation day on which a Redemption Order is made.

The applicable NAVPS, less the Redemption Fee, *if any*, shall be called the "Redemption Price." Any such request for redemption shall be evidenced by a duly-signed Redemption Slip or Fund Order Form, submitted to the Fund through the Distributor's Sales Agent or Receiving Bank. Redemption Orders received on or before 1:30 p.m. (the "Cut-off Time") on any valuation day will be processed at the Redemption Price applicable on that day. Redemption Orders received after the Cut-off Time shall be deemed to have been received on the next valuation day and will be processed at the Redemption Price applicable on that day. The payment for Shares so redeemed shall be credited to the Shareholder's Settlement Account with the Receiving Bank within the period stipulated by existing SEC rules, currently set at no longer than seven (7) days reckoned from the date the Redemption Order is received by the Fund. The Fund shall be entitled to collect an Early Redemption Fee based on the amount redeemed, in accordance with the following schedule:

| Name of Fund | Holding Period | Early Redemption Fee |
|---------------------|-------------------|----------------------|
| ALFM Peso Bond Fund | 90 days or less | 1.00% flat |
| | more than 90 days | none |

The Fund may suspend redemptions or postpone the date of payment for redemptions in cases when (i) normal trading is suspended on the Philippine Stock Exchange, or (ii) the BSP suspends clearing operations for the day, or (iii) with the consent of the SEC. The SEC may, whenever necessary or appropriate in the interest of the Fund's Shareholders, suspend the redemption of securities of open-end companies.

SPECIAL CONSIDERATIONS

The Fund shall not suspend the right of redemption nor not postpone the date of payment or satisfaction upon redemption of any redeemable security for more than seven (7) banking days after the tender of such security to the Fund, except in the following cases:

- (1) for any period during which banks are closed other than customary weekend and holiday closings;
- (2) for any period during which an emergency exists as a result of which (a) disposal by the Funds of securities owned by them are not reasonably practicable, or (b) it is not reasonably practicable for the Fund to determine the value of its net assets; or
- (3) for such other periods as the SEC may, by order, permit for the protection of security holders of the Fund.

PRICE DETERMINATION OF THE FUND'S ASSETS

The Calculation Agent obtains closing prices of underlying securities each day from Philippine Dealing & Exchange Corp. (PDEX) used for calculation of the Fund's assets.

DETERMINATION OF THE FUND'S NET ASSET VALUE

The Net Asset Value per Share of the Fund, as of the close of any valuation day (the "Close"), shall be obtained by dividing the value of the assets of the Fund less the value of its liabilities, reserves for expenses and adjustments for market risk, by the total number of Shares outstanding at such Close, all to be determined as follows:

1. The assets of the Fund shall be deemed to include:

(i) all cash on hand, on deposit, or on call; (ii) all bills and notes and accounts receivable; (iii) all shares of stock and subscription rights and other securities owned or contracted for by the Fund, other than its own capital stock; (iv) all stock dividends to be received by the Fund and not yet received by it but declared to stockholders of record, on a date on or before the date as of which the Net Asset Value is being determined; (v) all interest accrued on any interest bearing securities owned by the Fund; (vi) all real properties or interest therein; and (vii) all other properties of every kind and nature including prepaid expenses.

2. The liabilities of the Fund shall be deemed to include:

(i) all bills and notes and accounts payable; (ii) all administrative expenses payable and/or accrued (including management fees and custody expenses); (iii) all contractual obligations for the payment of money or property; (iv) all reserves for expenses and adjustments for market risk; and (v) all the other liabilities of the Fund of any kind and nature whatsoever, except liabilities represented by the outstanding capital stock and surplus of the Fund.

3. For the purposes thereof:

(i) capital stock subscribed for shall be deemed to be outstanding as of the time of acceptance of any subscription and the entry thereof in the books of the Fund, and the net proceeds thereof shall be deemed to be an asset of the Fund; and (ii) capital stock surrendered for purchase by the Fund pursuant to the provisions of its Articles of Incorporation or By-Laws shall be deemed to be outstanding until the close of business on the business day as of which such Net Asset Value is being determined and, thereupon and until paid, the price thereof shall be deemed to be a liability of the Fund.

On every valuation day, the Fund Manager shall compute the NAV per Share and shall provide the same to the Fund's Distributors. The Fund Manager shall cause the regular publication of the Fund's NAV per Share on the Fund's website, the Distributor's website, and premises.

To estimate its exposure to market risk, the Fund Manager computes the statistical “value at risk” (VAR) of its investments. The VAR measurement estimates the maximum loss due to adverse market movements that could be incurred by the portfolio during a given holding period with a given level of confidence. The Fund Manager uses a one month holding period, estimated as the number of days required to liquidate the investment portfolio, and a 99% degree of confidence in the computation of VAR. As such, there remains a 1% statistical probability that the portfolio’s actual loss could be greater than the VAR estimate.

TAXATION

Section 32 of Republic Act 8424 excludes the gains from redemption of shares in mutual funds from the computation of gross taxable income. However, investors are advised to consult their own professional advisers as to the tax implications of subscribing for, purchasing, holding and redeeming shares of the Fund. Tax rulings and other investment factors are subject to rapid change.

INVESTMENT OBJECTIVES AND RESTRICTIONS OF THE FUND

The primary investment objective of ALFM Peso is to generate a steady stream of fixed income through investments in a diversified portfolio composed of high-grade investment instruments and securities.

In line with its primary investment objective, the Fund may invest and re-invest in, or sell, transfer or otherwise dispose of, depending on prevailing and anticipated market conditions, selected instruments and securities such as, but not limited to, government securities and reverse repurchase agreements, term deposits, deposit substitutes, commercial paper, corporate bonds, private debt-paper, promissory notes, preferred shares, asset-backed securities, asset-participation certificates, receivables, cash, as well other viable financial derivatives, and other types of fixed-income generating instruments, equity, real estate instruments or in any property or assets created or issued by any and all persons, firms, corporations, associations, partnerships, syndicates, entities, governments and their subdivisions, agencies or instrumentalities, domestic or foreign, or such other similar instruments, denominated in any currency, and securities of all kinds as may be approved by the Securities and Exchange Commission which can provide the Fund with a stream of interest income; and acquire, invest and re-invest in, sell, transfer or otherwise dispose of, real properties of all kinds; and, generally, carry on the business of an open-end investment company insofar as may be permitted by and subject to existing laws.

SEC Memorandum Circular # 7, Series of 2005, which was amended by SEC Memorandum Circular # 10, Series of 2006, allows mutual funds to invest up to 100% of their net assets in bonds and other evidences of indebtedness registered and traded in an organized market in a foreign country, subject to the standards set by the Commission and provided that the issuers thereof have a long-term foreign currency rating of at least BBB from a reputable credit rating agency.

CHANGE IN INVESTMENT OBJECTIVES

The investment objectives of the Fund may not be changed without the approval of the Shareholders owning at least a majority of the respective Fund's outstanding capital stock, present in person or by proxy at a meeting called for such purpose.

INVESTMENT LIMITATIONS

In investing the assets of an Investment Company, the Fund Manager shall comply with the following limitations:

- a. The maximum investment of an Investment Company in any single enterprise or issuer shall not exceed an amount equivalent to fifteen percent (15%) of its net assets, nor shall the total investment of the fund exceed ten percent (10%) of the outstanding securities of the investee company.
- b. The Investment Company must not invest, in aggregate, more than twenty percent (20%) of its net assets in transferrable securities, money market securities, deposits and financial derivatives issued by a single entity or issuer.
- c. Deposits shall not exceed twenty percent (20%) of its net assets in a single bank/non-bank with quasi bank license excluding monies for liquidation of a revoked Investment Company.
- d. The investments in the following shall not exceed five percent (5%) of the net assets of the Investment Company:
 - i. Deposits placed with a non-investment grade or unrated deposit taking institution;
 - ii. Debt securities or money market instruments not dealt in an organized market or issued by an unrated or non-investment grade issuing body; and
 - iii. Over-the-counter financial derivatives with non-investment grade or unrated counterparty, unless the derivatives are used for efficient portfolio management which the investment aggregate shall not exceed more than twenty percent (20%) of the assets of the Investment Company;
 - iv. Unlisted shares issued by a related party.

The aggregate investments shall not exceed ten percent (10%).

- e. Investment in foreign government debt securities or money markets where the issuer or the guarantor is a government, sovereign or central bank with an international long-term issuer rating of investment grade may be increased to a maximum of thirty five percent (35%) of the net assets of the Investment Company;
- f. A maximum of five percent (5%) of the net assets of the Investment Company may be invested in government debt securities issued or guaranteed by a government, sovereign or central bank with an international long-term issuer rating that is non-investment grade;
- g. In investing in financial derivative instruments for the Investment Company, the Fund Manager shall see to it that it employs a risk-management process which captures the risks associated with the use of financial derivatives and satisfies all the following requirements:
 - i. The total exposure to financial derivatives or embedded financial derivatives, including counterparty transactions, shall not exceed ten percent (10%) of the net assets of the Investment Company, or five percent (5%) of the net assets if the derivatives are not investment grade, unless the derivatives counterparty is used for efficient portfolio management which the investment aggregate shall not exceed more than twenty percent (20%);
 - ii. The Investment Company shall invest five percent (5%) of its net assets to liquid assets to meet all its payment and delivery obligations;
 - iii. The Fund Manager shall not act as a counterparty to an OTC derivative invested into by the Investment Company.
- h. The MFC shall be prohibited from investing in the securities it is issuing.
- i. No Investment Company shall purchase from or sell to any of its officers or directors or the officers or directors of its investment advisor/s, manager or distributor/s or firm/s of which any of them are members, any securities other than the capital stock of the Investment Company.
- j. The Investment Company shall not engage in short selling;
- k. Unless the Commission shall provide otherwise, the Investment Company shall not invest in any of the following:
 - i. margin purchase of securities (investment in partly paid shares are excluded);
 - ii. commodity futures contracts;
 - iii. precious metals; and
 - iv. unlimited liability investments.

Liquidity Requirements

For liquidity purposes, unless otherwise prescribed by the Commission, at least ten percent (10%) of the assets of an Investment Company shall be invested in liquid/semi-liquid assets.

- a. Such liquid/semi-liquid assets shall refer to, but not limited to the following:
 - i. Treasury notes or bills, Certificates of Indebtedness issued by the Bangko Sentral ng Pilipinas which are short term, and other government securities or bonds and such other evidence of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines;
 - ii. Tradable Long-Term Negotiable Certificate of Time Deposits (LTNCTD)
 - iii. Government debt securities where the issuer or the guarantor is a foreign government, sovereign or central bank with an international long-term issuer rating of investment grade;
 - iv. Savings or time deposits with government-owned banks or commercial banks, provided that in no case shall any such savings or time deposit accounts be accepted or allowed under a "bearer", "numbered" account or other similar arrangement.
 - v. Money market instruments issued by Philippine regulated qualified buyers or those issued by an investment grade issuing body;
 - vi. Other collective schemes wholly invested in liquid/semi-liquid assets.
- b. The MFC may implement a decreased investment of less than ten percent (10%) but not less than five percent (5%) of its assets in liquid/semi-liquid assets, provided, however, that it shall submit a notarized liquidity contingency plan, signed by the President of the Fund and its Fund Manager.

Other Limitations

Operational expenses

The total operating expenses of an Investment Company shall not exceed ten percent (10%) of its average investment fund or net worth as shown in its previous Audited Financial Statements covering the immediately preceding fiscal year.

The formula shall be as follows: $\text{Expense Ratio \%} = (\text{Total Operating Expenses} / \text{Average Net Asset Value}) \times 100$.

Borrowing limit

An Investment Company may borrow, on a temporary basis, for the purpose of meeting redemptions and bridging requirements provided that:

- a. The borrowing period should not exceed one month; and
- b. The aggregate borrowings shall not exceed ten percent (10%) of the net assets of the Investment Company.

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

PHILIPPINE LAWS APPLICABLE TO THE COMPANY

INVESTMENT COMPANY ACT OF 1960

- The Investment Company Act of 1960 primarily regulates the business of investment companies. Subject to the exceptions under the law, an investment company is any issuer, which is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, re-investing, or trading in securities. An investment company is either (a) an open-end company; or (b) a closed-end company. An open-end company is an investment company, which is offering for sale or has outstanding, redeemable securities of which it is the issuer. A closed-end company, on the other hand, is an investment company other than an open-end company. The Investment Company Act provides for separate rules for each kind of investment company.

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

1. Minimum subscribed and paid-in capital of PhP 50.0 Million.
2. All shares of stock should be common and voting shares.
3. In the case of open-end companies, the Articles of Incorporation thereof should expressly waive the preemptive rights of stockholders.
4. All Filipino membership in the Board of Directors.

The Investment Company Act requires the registration of the investment company under said Act. The shares of the investment company are required to be registered under the Securities Regulation Code. The Investment Company Act also requires an investment company to place and maintain its securities and similar investments in the custody of a duly organized local commercial bank of good repute, duly authorized by the BSP to perform trust functions.

DIVIDENDS

A corporation may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the corporation, with its capital unimpaired, which are not appropriated for any other purpose. The corporation may satisfy dividends in cash, by the distribution of property, or by the issue of shares of stock. Dividends satisfied by the issuance of shares may be paid only with the approval of shareholders representing at least two-thirds (2/3) of the outstanding capital stock at a shareholders' meeting called for such purpose.

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

RIGHTS OF SHAREHOLDERS

The right of shareholders to institute proceedings on behalf of the corporation in a derivative suit is recognized in Philippine jurisdiction. Derivative suits may be filed where the corporation itself is unable or unwilling to institute the necessary proceedings to redress a wrong committed against the corporation or to vindicate corporate rights. Derivative suits as a rule are filed with the SEC. Jurisdiction over intra-corporate disputes is transferred to the regular Courts.

A shareholder has a right to dissent and demand payment of the fair value of his shares in the following instances: any amendment of the Articles of Incorporation which has the effect of changing or restricting rights attached to his shares, or of extending or shortening the term of corporate existence, the sale/lease or other disposition of all or substantially all of the assets of the corporation, or a merger or consolidation of the

corporation with another corporation. The fair value at which the shares of a dissenting shareholder may be sold to the corporation may be agreed upon by the parties. If they cannot reach agreement, it shall be determined by an independent committee. Payment of the shares of a dissenting shareholder may be made only if the corporation has unrestricted retained earnings to purchase the shares.

MANAGEMENT

Corporate powers are exercised, and all business of a corporation is conducted, by the Board of Directors. However, the powers of the Board of Directors are not unlimited. Certain corporate acts may be effected only with the approval of shareholders representing at least two-thirds (2/3) of the outstanding capital stock at a shareholders meeting convened for the purpose. Matters requiring such shareholders' approval include the amendment of the Articles of Incorporation, removal of directors, the sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the assets of the corporation, and the investment of corporate funds in another corporation or business or for any purpose other than the primary purpose for which the corporation was organized.

GOVERNMENT POLICIES AND REGULATIONS

The Fund falls under the category of Investment Company which is regulated by the Philippine Government through the Securities and Exchange Commission and several laws. Investment companies are required to be incorporated pursuant to the Corporation Code of the Philippines or *Batas Pambansa Blg. 68* (the “Corporation Code”). Aside from the incorporation requirements, investment companies are required to be registered either as an open-end or a closed-end investment company following the rules found under the Investment Company Act. Securities issued by an investment company are required to be registered following the rules of the Securities Regulation Code. The regulating body tasked with the implementation of the aforementioned laws is the SEC.

THE SECURITIES AND EXCHANGE COMMISSION

Under the Securities Regulation Code, the SEC is responsible for regulating the securities market. The SEC is a quasi-judicial government agency under the administrative supervision of the Department of Finance.

The SEC is headed by a chairperson and four (4) associate commissioners who are appointed by the President of the Philippines for a term of seven (7) years. The SEC is responsible for the registration of securities proposed to be listed on the PSE, the registration of securities proposed to be offered to the public, the regulation of the securities markets, the licensing of securities brokers and dealers, the promulgation of rules and regulations on securities trading, and the issuance of opinions and rulings pertaining to the proper application of the Corporation Code, the Securities Regulation Code, the Investment Company Act, and certain other statutes.

The SEC’s departments that regulate investment companies are the Company Registration and Monitoring Department, the Corporation Finance Department, and the Market Regulation Department.

THE INVESTMENT COMPANY ACT OF 1960

The Investment Company Act (Republic Act No. 2629) contains the various rules and regulations for corporations which may wish to engage in the business of primarily investing, re-investing, or trading in securities. The Act, however, excludes from its broad definition of “investment companies” such entities as banks, insurance companies, employees’ stock bonus plans, pension plans, and profit-sharing plans.

For purposes of the Act, investment companies are divided into open-end and closed-end companies, defined as follows: (i) “open-end company” means an investment company which is offering for sale, or has outstanding, any redeemable security of which it is the issuer; and (ii) “closed-end company” means any investment company other than an open-end company.

The Act provides for several rules relative to the incorporation of investment companies, the most basic of which are as follows: (i) the subscribed and paid-up capital of the investment company must be at least PhP 50.0 Million; (ii) all shares of capital stock must be common and voting shares, and, in the case of open-end companies, the Articles of Incorporation must waive the preemptive rights of shareholders; and (iii) all members of the Board of Directors must be Filipino citizens.

THE SECURITIES REGULATION CODE

The Securities Regulation Code (Republic Act No. 8799) provides that securities which are to be offered or sold to the public in the Philippines must first be registered with the SEC (except for certain securities exempt from the registration requirements and securities to be sold in certain exempt transactions). The Securities Regulation Code also requires companies listed in the stock exchange and companies whose securities are registered under the said law to submit periodically corporate information and financial statements.

MANAGEMENT DISCUSSION OR ANALYSIS ON PLAN OF OPERATIONS

During the Stockholders' meeting on November 16, 2006, the Stockholders approved the proposed increase in Authorized Capital Stock from PhP 34 Billion (divided into 340 Million shares of PhP 100.00 par each) to PhP 100 Billion (divided into 1 Billion shares of PhP 100.00 par each).

On August 15, 2014, the SEC approved the increase in ACS from PhP 34 Billion (divided into 340 Million shares of PhP 100.00 par each) to PhP 40 Billion (divided into 400 Million shares of PhP 100.00 par each).

AS OF MARCH 31, 2019

ALFM Peso Bond Fund's net asset attributable to shareholders continues to shrink; in 2019 as it shrank by 6.96% or ~PHP 3.75 Billion pesos. The lower NAV was due to continues withdrawals from investors on the back of bullish outlook for equities and persistent high rates of alternative investments.

For the 1Q, the local government yield curve declined on average of 40 basis points across the yield curve on the back of lower inflation outlook for the whole year and, at the same time, market anticipation of BSP's action in aggressively cutting down its Reserve Ratio Requirement which the new BSP Governor Diokno was quoted saying that he is keen to "cut 1 bp every quarter". The view was treated quite aggressive by the market and as a pseudo monetary policy cut. Due to the bullish outlook for the bond market, the Fund gave a 1.07% net return for the quarter and booked a realized and unrealized gain worth PHP 161 Million.

Investment securities in amortized cost remains a high percentage of the Fund's asset since the fund's main objective is to give its investors a stable return over time. Cash and cash equivalents is seen to be much lower compared to year-end as the Fund used it to fund the withdrawals. Despite the lower percentage in cash and cash equivalents, current liquidity ratio remains high. Earnings per share is also noted to be better for this quarter at PHP 4.18 per share.

No other notable item to discuss.

Top Five Key Performance Indicators

- a) *Performance vis-à-vis the Benchmark* - ALFM Peso Bond Fund is a managed bond fund whose objective is long-term capital appreciation through investments in a diversified portfolio composed of high-grade fixed-income investment instruments. The Fund aims to outperform its benchmark consistently on a year-on-year basis. ALFM Peso Bond Fund posted a year to date return of 1.07% as of end 1Q 2019 based on its trading NAV per share; lagging behind its blended benchmark of 75% 91-day Philippine treasury Bill- net of tax and 25% of the BPI 1-5 Year Index by 69 basis point.
- b) *Market Share in the Industry* - The Fund is expected to continue to strengthen its presence in the industry. The Peso Mutual Fund industry has three major players in terms of Net Asset Value- ALFM Peso Bond Fund, PHILAM Bond Fund and Sun Life Prosperity Bond Fund. As of end 1Q 2019, ALFM Peso Bond Fund maintained its market dominance having majority (77.1%) of the Peso-denominated bond market share. Philam Bond Fund remains a far second with 9.8% share and Sunlife Prosperity Bond Fund at third with 5.9% market share.
- c) *NAV Growth vis-à-vis Industry Growth* - The Fund's average daily NAV for first quarter of 2019 was at PHP 52.96 Billion. The peso-denominated bond industry continued to shrink, declining 5.79% in 1Q while the ALFM Peso Bond Fund's net asset value also shrank by 6.96%.
- d) *Portfolio Quality* - The Fund's portfolio should at all times, adhere to the investment parameters as indicated in the Fund's prospectus. As of the end of 1Q 2019, 13.75% of the Fund's portfolio was invested in government securities, 68.96% in corporate securities, 5.49% in short term investments, 0.59% in cash/cash equivalents, 4.24% in loans and other net receivables, 6.77% in preferred shares and 0.20% in fixed income funds.
- e) *Performance vis-à-vis Competition* - The Fund's performance is also compared against the performance of other players in the market. As of end 1Q 2019, ALFM Peso Bond Fund is at the second half of the peso-denominated bond funds category in terms of year-to-date returns.

AS OF DECEMBER 31, 2018

Philippines GDP continues to remain one of the top-performing emerging economies in Asia despite a slowdown to 6.2% from 2017's 6.7%. This is actually the seventh straight year that the Philippines grew more than 6.0%. Despite the slower-than-expected growth, the firm finish of the Philippines is still considered on a high growth trajectory and remains to be among the fastest-growing economies behind India, Vietnam and China.

Inflation print buckled away from the government's range of 2% to 4% and rose to as high as 6.7% in September and October, which became one of the main detractor to the economic growth as it tempered consumption and investment spending. Full year 2018 printed at 5.20% vs 2.90% in 2017. The inflation brunt was felt mostly on the food prices due to supply issue. The agriculture sector suffered from strings of typhoons (from 4% in 2017 to 0.8% in 2018), as well as, the poor timing in food importation fanned the inflationary pressure.

As for the BSP, it hiked its rates five times throughout the year to anchor inflation and played catch-up with the US Federal Reserve who hiked four times (from 1.25% - 1.50% to 2.25%-2.50%). Philippine overnight reverse repurchase agreement rate rose from 3.00% to 4.75%. BSP also trimmed its reserve requirement ration twice from 20% to 18%.

Despite the strong economic performance of the country, it was another tumultuous year for the Philippine local yield curve where the market saw the yield curve rise across the curve as high as 242.50 basis points, on average, as inflation crept up on the back of food supply, non-alcoholic beverages and energy prices. Relief rally on the bond was seen in the last two months of the year as inflation started to ease on the back of lower global prices and ease on rice importation.

For the year, the ALFM Peso Bond Fund gave a net return on investment of 1.89% or an increase in the NAV per share of PHP 6.36; thus, ending the year at PHP 343.47. The Fund's volatility was also kept low at 0.36% due to the erratic yield movement in the second half of the year, much lower from 2017's 0.74%.

Despite the decline in the Fund's NAV of 12.05%, the income tax expense is slightly higher by PHP 5.40 Million than prior year which was mainly led in increase of interest income from the held-to-maturity securities. Total expenses declined by 37% much due to lower management fee of 1.50% to 1.00% for 2018. Earnings Per Share (EPS) slightly slid to PHP 5.36 versus 2017's PHP 5.83 despite a tough year for the bond market where all the bond indexes sans the money market returning in red.

The Fund continued to remain well diversified in 2018 with 12.32% of the Fund's portfolio invested in government securities, 70.24% in corporate bonds/notes/loans, 6.17% in preferred shares, 1.80% in fixed income funds, 3.99% in cash/cash equivalents net of receivables/liabilities/allowances, and 5.48% in short term investments. Corporate bonds/notes/loans will continue to be a major investment of the Fund as we look to participate in corporate issuances given the higher spread over government security and diversification. The Fund continues to maintain portfolio quality through active duration management, yield curve positioning, and yield-enhancing credit investments. As of year-end 2018, portfolio duration of the fund was even lowered to 2.58, lower than previous year's 3.29, to shield the investors from the spike in yields.

For 2019, we expect Philippine inflation to ease on the back of expected lower global oil prices and easing food supply which will be a good news for the bond market. At the same time, we will also expect a higher domestic consumption as an effect of personal tax breaks for low and middle income earners, additional one-off election spending in the first half of the year and sustainable government infrastructure spending. Philippine economic growth will remain robust and within the range of 6% to 7%. RRR cut will remain on the table as a BSP's structural change to be within its ASEAN peers who have RRR less than 10%.

Some risks for the bond market will be the abundant supply of debt both from the government and private sector to fund the massive infrastructure plans of the current administration. At the same time, there is an on-going geopolitical risk abroad with the US- China rhetoric trade war and the possible global growth slowdown in relation to it. The US Fed is expected to hike one to two times in 2019 on its path to normalization. Notwithstanding these external factors, one thing to bear in mind that the Philippine bond market is not shielded from the price of global oil which the low inflation expectation is pegged on. As long as the oil price doesn't rise to above US\$60/barrel, we don't foresee the inflation to spike as high as it did in 2018. Apart from the rosy picture of the Philippine market, cautious and selective investing is still paramount.

Thus, for 2019, expect ALFM Peso's priority to give our investors a consistent positive stable return that is true to its investment objective. The Fund will be opportunistic in extending its duration from the current low to capture the low inflation expectation of the market but cautious at the same time to shield the investors from any yield reversals that we have seen in 2018. Long-term investment in the fund is highly recommended to get the full reward of investing and investors should be prepared to withstand short term volatility.

Top Five Key Performance Indicators

- a) *Performance vis-à-vis the Benchmark* – ALFM Peso Bond Fund is an actively managed bond fund whose objective is long-term capital appreciation through investments in a diversified portfolio composed of high-grade fixed-income investment instruments. The Fund has to outperform its benchmark consistently on a year-on-year basis. The Fund's return on investment (ROI) for full year 2018 was recorded 1.89% net of fees and taxes, slightly behind its benchmark return of 2.04%. Stability of returns were prioritized to shelter the investors from the market volatility.
- b) *Market Share in the Industry* – The Fund is expected to continue to strengthen its presence in the industry. The Peso Bond Mutual Fund industry has three major players in terms of Net Asset Value: ALFM Peso Bond Fund, PHILAM Bond Fund and Sun Life Prosperity Bond Fund. As of end -2018, ALFM Peso Bond Fund maintained its market dominance having majority (78.10%) of the market share. PHILAM Bond Fund was a far second with 9.30% and Sun Life Prosperity Bond Fund remains at third with 5.4% market share.
- c) *NAV Growth vis-à-vis Industry Growth* – The Fund's average daily NAV for 2018 was at PHP 58.36 Billion. The peso bond fund industry shrank by 13.87% in terms of total net asset value or PHP 11.10 Billion. ALFM Peso's NAV declined by PHP 7.38 Billion or declined by 12.05% year-on-year, shrinking slightly slower than the industry but still maintaining its leadership position in the mutual fund industry.
- d) *Portfolio Quality* – The Fund's portfolio should, at all times, adhere to the investment parameters as indicated in the Fund's prospectus. The Fund continued to remain well diversified in 2018 with 12.32% of the Fund's portfolio invested in government securities, 70.24% in corporate bonds/notes/loans, 6.17% in preferred shares, 1.80% in fixed income funds, 3.99% in cash/cash equivalents net of receivables/liabilities/allowances, and 5.48% in short term investments, in terms of the Fund's trading NAV. Corporate bonds/notes/loans will continue to be a major investment of the Fund as we look to participate in corporate issuances given the higher spread over government security and diversification.
- e) *Performance vis-a-vis Competition* - The Fund's performance is also compared against the performance of other players in the market. As of December 2018, ALFM Peso Bond Fund ranked second among eleven mutual bond fund competitors in terms of one year absolute returns.

Finding of SEC's Office of the General Accountant (OGA) upon review of the Fund's Unaudited Interim Financial Statements (UIFS) for the period ended March 31, 2018

Notes to Financial Statements (Related Party Transactions)

The amount of management fee payable indicated in the Statements of Financial Position is not consistent with the amount of outstanding management fee payable disclosed in Note 12.

Response of Company

Total management fee payable consisted of the following:

| | In Thousands of Philippine Peso | |
|--|---------------------------------|-------------------|
| | March 31, 2018 | December 31, 2017 |
| Management fee payable to Related Parties (consistent with Note 12) | 46,211 | 61,170 |
| Service fee payable to Non-related Parties | 4,184 | 6,161 |
| Total (agreed with Statement of Financial Position) | 50,395 | 67,331 |

AS OF DECEMBER 31, 2017

Philippines GDP continues to remain one of the top-performing emerging economies in Asia despite being a post-election year, behind China (6.9%) and Vietnam (6.8%), ending 2017 at 6.7%, just a shy away from 2016's growth of 6.9%. The strong growth was mainly driven by the service sector which contributed to 3.9 percentage points to the total GDP and the recovering various industries.

Inflation print remained subdued throughout the year between the government's range of 2 to 4%. BSP also held their rates steady throughout the year with the overnight lending rate at 3.5% and overnight deposit at 2.5%.

Despite the strong economic performance of the country, the Philippine local yield curve was quite tumultuous especially on the last quarter of the year where the market saw all the yields rose across the curve on average of 53 basis points for the liquid tenors as inflation fears crept in amidst the newly appointed TRAIN law which we will see a broad increase in taxes for goods and services. It was only on the second quarter where the bond yields rallied across the curve, seeing a decline of 19.75 basis points on average. This was the only breather in the bond market where local investors were soothed as the new BSP Governor was named and policies of Former BSP Governor Tetangco will be carried over. The appointment of the new BSP Governor Nestor Espenilla Jr, a long serving technocrat in Bangko Sentral ng Pilipinas, means that the pillars of the central bank – price stability, financial stability and a reliable and efficient system for payments and settlements- will be preserved. The appointment was also seen that BSP will remain independent as a someone from within the institution was named instead of an outsider

For the year, the ALFM Peso Bond Fund gave a net return on investment of 2.20% or an increase in the NAV per share of PHP 7.27; thus, ending the year at PHP 337.11. The Fund's volatility was also kept low at 0.74% despite the movement in the yields, much lower from 2016's 1.36%.

Despite the decline in the Fund's NAV of 11.54%, the income before tax is PHP 132.97 Million higher than prior year which was mainly lead in increase of interest income from the held-to-maturity securities. Total expenses remained flat as the lower management fees, custody fees and taxes were offset by slightly higher expense in brand awareness for the Fund. Earnings Per Share (EPS) grew PHP 5.83 versus 2016's PHP 4.92.

The Fund continued to remain well diversified in 2017 with 29.08% of the Fund's portfolio invested in government securities, 44.06% in corporate bonds/notes/loans, 6.85% in preferred shares, 1.07% in fixed income funds, 11.58% in cash/cash equivalents net of receivables, and 7.36% in other securities and debt instruments. Corporate bonds/notes/loans will continue to be a major investment of the Fund as we look to participate in corporate issuances given the higher spread over government security and diversification.

The Fund continues to maintain portfolio quality through active duration management, yield curve positioning, and yield-enhancing credit investments. As of year-end 2017, portfolio duration of the fund was 3.29, lower than previous year's 3.66.

For 2018, we expect Philippine inflation to pick up on the back of the newly implemented Tax Reform for Acceleration and Inclusion (TRAIN) law which will see an overhaul of the tax system. The new law will include more goods and services, increase in fuel costs, higher excise tax on vehicles and higher tax on sugar products. On the other hand, we will also expect a higher domestic consumption as an effect of personal tax breaks for low and middle income earners. In addition to the new TRAIN law which will take effect on January 1 of 2018, the government has a massive infrastructure agenda worth US\$170 billion to be spent in six years with 75 flagship projects to be rolled out all over the country and has already allocated 5.4% of GDP for it in 2018. Which will mean that the government will be in need of funding for the several projects lined up, thus, they will be borrowing more than previous years. With expectations of higher inflation coupled with more debt supply, expect that the bond yields, especially the front-end of the curve, to be under pressure. On the positive side, overall, expect GDP to print within 7% to 8% from 2018 to 2022 on the back of the new tax system and massive government spending.

Thus, expect ALFM Peso to be positioned defensively with lower duration in 2018. Long-term investment in the fund is highly recommended to get the full reward of investing and investors should be prepared to withstand short term volatility.

Top Five Key Performance Indicators

- a) *Performance vis-à-vis the Benchmark* – ALFM Peso Bond Fund is an actively managed bond fund whose objective is long-term capital appreciation through investments in a diversified portfolio composed of high-grade fixed-income investment instruments. The Fund has to outperform its benchmark consistently on a year-on-year basis. The Fund's return on investment (ROI) for full year 2017 was recorded at 2.20% net of fees and taxes, higher than its benchmark return of 2.04%. Stability of returns were prioritized to shelter the investors from the market volatility.
- b) *Market Share in the Industry* – The Fund is expected to continue to strengthen its presence in the industry. The Peso Bond Mutual Fund industry has three major players in terms of Net Asset Value: ALFM Peso Bond Fund, Philam Bond Fund and Sunlife Prosperity Bond Fund. As of December 31, 2017, ALFM Peso Bond Fund maintained its market dominance having majority (76.50%) of the market share. Philam Bond Fund was second with 11.40% and Sun Life Prosperity Bond Fund remains at third with 5.4% market share.
- c) *NAV Growth vis-à-vis Industry Growth* – The Fund's average daily NAV for 2017 was at PHP 65.04 Billion. The peso bond fund industry shrank by 8.24% in terms of total net asset value or PHP 7.19 Billion. ALFM Peso's NAV declined by PHP 7.99 Billion or declined by 11.54% year-on-year, shrinking faster than the industry but still maintaining its leadership position in the mutual fund industry.
- d) *Portfolio Quality* – The Fund's portfolio should, at all times, adhere to the investment parameters as indicated in the Fund's prospectus. The Fund continued to remain well diversified in 2017 with 29.08% of the Fund's portfolio invested in government securities, 44.06% in corporate bonds/notes/loans, 6.85% in preferred shares, 1.07% in fixed income funds, 11.58% in cash/cash equivalents net of receivables, and 7.36% in other securities and debt instruments. Corporate bonds/notes/loans will continue to be a major investment of the Fund as we look to participate in corporate issuances given the higher spread over government security and diversification.
- e) *Performance vis-a-vis Competition* - The Fund's performance is also compared against the performance of other players in the market. As of December 2017, ALFM Peso Bond Fund ranked five among eleven mutual bond fund competitors in terms of one year absolute returns.

Discussion and analysis of material event/s and uncertainties known to the management that would address the past and would have an impact on future operations

Any known trends, demands, commitments, events or uncertainties that will have material impact on the issuer's liquidity:

Liquidity of the fund may be affected by the market's depth or the existence of readily available buyers and sellers in the market.

The fund in particular, has greater exposure to funding liquidity risk in the event that fund redemption is substantial than the average and deemed to continue in the near term. This risk is heightened during adverse market conditions or crisis situations as the fund becomes vulnerable to massive and simultaneous client redemptions, which may make it difficult for fund manager to liquidate investments fast enough to keep pace with withdrawals. Liquidity risk also arises from the difficulty of liquidating or converting the fund's investments to cash within a reasonable period of time within a reasonable price due to inadequate market liquidity caused by market disruptions such as the occurrence of a financial crisis or credit squeeze. A liquidity contingency plan, which provides a framework for addressing liquidity crisis situations is in place.

Any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

None

All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period:

None

Any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures:

None

Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations:

None

Any significant elements of income or loss that did not arise from the issuer's continuing operations:

The Fund Manager is not aware of any significant element of income or loss that did not arise from the Fund's continuing operations.

Shown below are the corresponding maturity dates of the Fund's Held-to-Maturity Securities and Loans and Receivables as of December 31, 2017:

| CLASSIFICATION | SECURITY | MATURITY DATE |
|----------------|--------------------|---------------|
| HTM | AC-BOND 20230707 | 07/07/23 |
| HTM | AEV-BOND 20220806 | 08/06/22 |
| HTM | AEV-BOND 20270806 | 08/06/27 |
| HTM | FXTN10-52 20201216 | 12/16/20 |
| HTM | FXTN10-54 20220119 | 01/19/22 |
| HTM | FXTN10-60 20250909 | 09/09/25 |
| HTM | FXTN1050 20200218 | 02/18/20 |
| HTM | FXTN20-16 20300527 | 05/27/30 |
| HTM | FXTN2005 20230529 | 05/29/23 |
| HTM | FXTN2011 20251020 | 10/20/25 |
| HTM | FXTN2014 20270906 | 09/06/27 |
| HTM | FXTN25-01 20251129 | 11/29/25 |
| HTM | FXTN25-02 20300728 | 07/28/30 |
| HTM | FXTN25-03 20310126 | 01/26/31 |
| HTM | FXTN25-04 20311005 | 10/05/31 |
| HTM | FXTN25-11 20400909 | 09/09/40 |

| CLASSIFICATION | SECURITY | MATURITY DATE |
|----------------|--------------------|---------------|
| HTM | FXTN25-5 20321129 | 11/29/32 |
| HTM | FXTN25-6 20341105 | 11/05/34 |
| HTM | FXTN25-7 20350930 | 09/30/35 |
| HTM | FXTN5-72 20180523 | 05/23/18 |
| HTM | FXTN7-51 20180818 | 08/18/18 |
| HTM | FXTN7-54 20190719 | 07/19/19 |
| HTM | GTCAP-BND 20191107 | 11/07/19 |
| HTM | ROP-GPN 20210115 | 01/15/21 |
| HTM | ROP-GPN 20210115 | 01/15/21 |
| HTM | ROP-GPN 20221126 | 11/26/22 |
| HTM | RTBOND 20260920 | 09/20/26 |
| HTM | RTBOND151 20261020 | 10/20/26 |
| HTM | SMIC-BOND 20231209 | 12/09/23 |
| HTM | SMPH-BOND 20210225 | 02/25/21 |
| HTM | SMPH-BOND 20260726 | 07/26/26 |

| CLASSIFICATION | SECURITY | MATURITY DATE |
|----------------|-------------------|---------------|
| LOANS | ABS-BOND 20210210 | 02/10/21 |
| LOANS | AC-BOND 20210512 | 05/12/21 |
| LOANS | AC-BOND 20210512 | 05/12/21 |
| LOANS | AC-BOND 20250210 | 02/10/25 |
| LOANS | AC-BOND 20250210 | 02/10/25 |
| LOANS | AC-BOND 20270511 | 05/11/27 |
| LOANS | AEV-BOND 20201121 | 11/21/20 |
| LOANS | ALI-BOND 20190427 | 04/27/19 |
| LOANS | ALI-BOND 20201010 | 10/10/20 |
| LOANS | ALI-BOND 20240130 | 01/30/24 |
| LOANS | ALI-BOND 20250425 | 04/25/25 |
| LOANS | ALI-BOND 20331010 | 10/10/33 |
| LOANS | ALI-FXCN 20210119 | 01/19/21 |
| LOANS | APC-BOND 20210910 | 09/10/21 |
| LOANS | APC-BOND 20260910 | 09/10/26 |
| LOANS | APC-BOND 20270703 | 07/03/27 |
| LOANS | BDOLF-CP 20180109 | 01/09/18 |
| LOANS | BNP-NOTE 20180103 | 01/03/18 |
| LOANS | BNP-NOTE 20180116 | 01/16/18 |
| LOANS | BNP-NOTE 20180205 | 02/05/18 |

| CLASSIFICATION | SECURITY | MATURITY DATE |
|----------------|--------------------|---------------|
| LOANS | DMCH-FXNH 20210129 | 01/29/21 |
| LOANS | DMCH-FXNI 20230129 | 01/29/23 |
| LOANS | DMCH-FXNJ 20220228 | 02/28/22 |
| LOANS | DMCH-FXNK 20240228 | 02/28/24 |
| LOANS | DMCH-FXN1 20191031 | 10/31/19 |
| LOANS | DMCH-FXN2 20200410 | 04/10/20 |
| LOANS | DMCH-FXN3 20200730 | 07/30/20 |
| LOANS | EDC-BOND 20200503 | 05/03/20 |
| LOANS | EDC-BOND 20200503 | 05/03/20 |
| LOANS | FLI-BOND 20190608 | 06/08/19 |
| LOANS | FLI-BOND 20201108 | 11/08/20 |
| LOANS | FLI-BOND 20220820 | 08/20/22 |
| LOANS | GLO-BOND 20190601 | 06/01/19 |
| LOANS | GLO-BOND 20200717 | 07/17/20 |
| LOANS | GLO-BOND 20230717 | 07/17/23 |
| LOANS | GTCAP-BND 20200227 | 02/27/20 |
| LOANS | GTCAP-BND 20210807 | 08/07/21 |
| LOANS | GTCAP-BND 20230227 | 02/27/23 |
| LOANS | GTCAP-BND 20240807 | 08/07/24 |
| LOANS | JGS-BOND 20190827 | 08/27/19 |

| | | |
|-------|-----------------------|----------|
| LOANS | BNP-NOTE 20180207 | 02/07/18 |
| LOANS | BNP-NOTE 20180220 | 02/20/18 |
| LOANS | BNP-NOTE 20180328 | 03/28/18 |
| LOANS | BNP-NOTE 20180403 | 04/03/18 |
| LOANS | BNP-NOTE 20180628 | 06/28/18 |
| LOANS | BNP-NOTE220180205 | 02/05/18 |
| LOANS | BNP-NOTE220180212 | 02/12/18 |
| LOANS | BNP-NOTE220180220 | 02/20/18 |
| LOANS | CITI-GPN 20180131 | 01/31/18 |
| LOANS | CITI-NOTE 20180116 | 01/16/18 |
| LOANS | CITI-NOTE 20180327 | 03/27/18 |
| LOANS | CITI-NOTE 20180531 | 05/31/18 |
| LOANS | CITI-NOTE 20180628 | 06/28/18 |
| LOANS | CPI-BOND 20230107 | 01/07/23 |
| LOANS | DMCH-FXNF 20201218 | 12/18/20 |
| LOANS | DMCH-FXNG 20221218 | 12/18/22 |

| | | |
|-------|--------------------|----------|
| LOANS | MER-BOND 20201212 | 12/12/20 |
| LOANS | MNTC-BOND 20210331 | 03/31/21 |
| LOANS | MNTC-BOND 20240331 | 03/31/24 |
| LOANS | PLDT-BOND 20210206 | 02/06/21 |
| LOANS | PLDT-FXCN 20190727 | 07/27/19 |
| LOANS | PLDT-FXCN 20190921 | 09/21/19 |
| LOANS | RLC-BOND 20220223 | 02/23/22 |
| LOANS | SCB-NOTE 20180201 | 02/01/18 |
| LOANS | SMB-BOND 20210402 | 04/02/21 |
| LOANS | SMB-BOND 20220402 | 04/02/22 |
| LOANS | SMIC-BOND 20190716 | 07/16/19 |
| LOANS | SMIC-BOND 20210519 | 05/19/21 |
| LOANS | SMIC-BOND 20220716 | 07/16/22 |
| LOANS | SMIC-BOND 20240519 | 05/19/24 |
| LOANS | SMPH-BOND 20200301 | 03/01/20 |
| LOANS | SMPH-BOND 20240901 | 09/01/24 |

Board Self-Assessment Form

| Rating Scale: 1. Needs Improvement 2. Satisfactory 3. Good 4. Very Good 5. Excellent (Director to check (✓) the box that corresponds to the selected rating and provide comments, if any) | | | | | | |
|---|---------|---|---|---|---|----------|
| EVALUATION FACTOR | RATINGS | | | | | COMMENTS |
| | 1 | 2 | 3 | 4 | 5 | |
| A. Strategic Foresight | | | | | | |
| 1. The Board evaluates the financial results periodically vis-à-vis its investment objectives to assess the ALFM Mutual Funds as well as Management's performance, considers new opportunities and responds promptly to industry trends and external developments. | | | | | | |
| 2. The Board reviews and evaluates changes in fund features, major investment movements, significant expenses, including key assumptions, major risks and critical issues before approval and monitors outcomes. | | | | | | |
| B. Board Structure and Committee Effectiveness | | | | | | |
| 1. Each ALFM Mutual Fund has an appropriate board size and structure that promotes efficiency, allows critical discussion of issues and thorough review of matters, and proper discharge of its functions, taking into account the nature and complexity of operations, and size and types of risks to which ALFM Mutual Funds are exposed. | | | | | | |
| 2. The Board is guided by a Manual of Corporate Governance. | | | | | | |
| 3. The composition of the Board has the right mix of expertise, diversity and independence, allowing it to add value, critical thinking and judgment to effectively govern ALFM Mutual Funds' formulation and implementation of sound corporate strategies and policies. | | | | | | |
| 4. The Board has appropriately constituted the committees necessary to heighten efficiency of board operations and assist in exercising its authority for oversight of internal control, risk management and performance monitoring of ALFM Mutual Funds, with well-defined charters and board reporting requirements. | | | | | | |
| C. Board Meetings and Procedures | | | | | | |
| 1. The number of board meetings during the year is adequate. The schedule of matters is up to date and regularly reviewed. | | | | | | |

| EVALUATION FACTOR | RATINGS | | | | | COMMENTS |
|---|---------|---|---|---|---|----------|
| | 1 | 2 | 3 | 4 | 5 | |
| 2. Board members receive accurate minutes and board packs; written agendas and meeting notices; and relevant material to prepare in advance of meetings and enable full and proper consideration to be given to important issues. | | | | | | |
| 3. Board meetings are conducted with sufficient time and management presence, as well as in a manner that encourages open communication and meaningful participation. | | | | | | |
| 4. All board decisions, other than those that have been properly delegated are made in the board room. | | | | | | |
| 5. The level of support from the Corporate Secretary that is placed at the Board's disposal is satisfactory. | | | | | | |
| 6. There is a proper level of follow-up on outstanding actions arising from board meetings. | | | | | | |
| D. Board and Management Relations | | | | | | |
| 1. The relationship between the Board and the Fund Manager and Principal Distributor strikes the right balance between challenge and mutuality. | | | | | | |
| 2. The Board's discussions enhance the quality of Fund Manager's decision making (e.g., engaging them in dialogue that stimulates and enhances their thinking and performance). | | | | | | |
| 3. The Board sets the overall tone and direction of ALFM Mutual Funds and establishes guidelines on the nature and amount of risk that the Funds may take. | | | | | | |
| 4. The Board has approved comprehensive policies and procedures for all material activities and risks in the organization. The Board is kept fully informed on all material matters between meetings (e.g., appropriate external information on emerging risks, regulatory changes, etc). | | | | | | |
| E. Induction and Continuing Education | | | | | | |
| 1. The continuing education program, special briefings by external advisors, formal courses and conferences and focused seminars received by the Board and new members are timely and appropriate (e.g., regulatory matters, cyber risks, industry developments) | | | | | | |

| EVALUATION FACTOR | RATINGS | | | | | COMMENTS | |
|--|--|---|-----------|---|------|--------------|-------------------|
| | 1 | 2 | 3 | 4 | 5 | | |
| and assist Board members in the execution of their duties. | | | | | | | |
| F. Performance Evaluation | | | | | | | |
| 1. The Board has in place an appropriate process for regular board, committee and individual board member evaluation. | | | | | | | |
| 2. The Board's performance assessment process enhances Board effectiveness. | | | | | | | |
| G. Value Creation | | | | | | | |
| 1. The Board has good key relationships with ALFM Mutual Funds' major stakeholders and there is respect for what the Board does. | | | | | | | |
| 2. The Board makes well-informed and high quality decisions based on a clear line of sight into the business that creates stakeholder value. | | | | | | | |
| 3. The Board creates a performance culture that drives value creation without exposing ALFM Mutual Funds to excessive risk of value destruction. | | | | | | | |
| 4. The Board holds executive or private sessions as often as needed to discuss sensitive matters. | | | | | | | |
| OVERALL RATING OF BOARD PERFORMANCE | Excellent | | Very Good | | Good | Satisfactory | Needs Improvement |
| | | | | | | | |
| OTHER COMMENTS/ SUGGESTIONS | <div>.....</div> <div>.....</div> <div>.....</div> | | | | | | |
| Name of Director: Signature: _____ Date: _____ | | | | | | | |

ALFM XXXX FUND, INC.
AUDIT COMMITTEE CHARTER

The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of the XXXXX (the “Company”). It shall monitor and evaluate the adequacy and effectiveness of the internal control system, including financial reporting control and information technology security. It shall oversee:

- a) The financial reporting framework.
- b) Risk Management
- c) The external audit function
- d) Implementation of corrective actions
- e) Activities of the Fund Manager in relation to its role as Independent Oversight Entity¹
- f) Monitoring of compliance with applicable laws, rules and regulations
- g) Governance process of the Company

The Audit Committee shall report regularly to the Board regarding the execution of the Audit Committees’ duties, responsibilities, activities, and any issues encountered and any recommendations.

I. Composition of the Audit Committee

The Audit Committee shall be composed of at least three (3) non-executive members of the board of directors, majority of whom shall be independent directors including the chairperson, preferably with accounting, auditing, risk management or related financial management expertise or experience. The members of the Audit Committee shall not be allowed to hold interlocking directorships in other entities involved in the operation of the Company such as the Fund Manager, Fund Distributor, Fund Advisor, Transfer Agent and Custodian¹. The Chairperson of the audit committee shall not be the Chairperson of the board of directors or of any other board level committees.

The selection and appointment of the Audit Committee members, including its Chairman shall rest with the Board in accordance with the existing rules and regulations.

New Audit Committee members shall be oriented on the Audit Committee’s authorities/duties/responsibilities and shall be provided with an overview of the company’s internal control organization and risk management systems. The Audit Committee shall also ensure that all members are provided with regular and timely updates on changes in regulatory environment, accounting standards, and best practices in corporate governance and industry.

II. Meetings

The Audit Committee shall meet at least semi-annually, at such date, time, and place to be fixed by the Committee. Special meetings shall be convened by any member of the Audit Committee or the Company’s Compliance Officer. anytime as the need arises. A majority of the members of the Committee shall constitute a quorum.

The Company’s Compliance Officer, in consultation with the Corporate Secretary, the Fund Manager’s Chief Compliance Officer, any other Officer the Fund Manager appoints, and/or external auditors, shall be responsible for determining meeting agendas and attendees, subject to the overall authority of the Committee.

When necessary or desirable, the Committee may request any officer or employee of the Company, the Fund Manager, outside counsels, external auditors, or consultants to attend a meeting of the Committee or to meet with any members of the Committee, to act as consultants or advisors of the Committee.

¹ SEC Memorandum Circular 21 Series of 2019

Attendance shall be on a "need basis" and limited only on the portion required as resource speaker, subject matter expert which must be approved by the Committee.

Action required or permitted to be taken by the Committee may be taken without or in lieu of a meeting by written consents, identical in content, setting out the action taken and signed by all the members of the Committee. The written consents shall have the same effect as a unanimous vote and may be made in electronic counterparts. The consents shall be documented as minutes of action.

Special meetings or actions may be called for as needed.

The Secretary of the Board, , shall act as the Secretary of the Committee.

III. Minutes of Meeting or Action

- a. The Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous consent (i.e. minutes of action).
- b. Unanimous consent resolutions shall be documented as minutes of action. The written action is effective and dated as of the date that the last board or committee member (as the case may be) has given his/her consent by electronic mail, unless a different effectivity date is provided in the resolution.
- c. Any member of the Committee may request that the proposal for which a written consent is sought be discussed and deliberated upon by the Committee, in which case the proposal shall be included in the agenda of the next meeting.
- d. The key matters reviewed and approved by the Committee and their minutes of meetings, minutes of action, including agenda and supporting materials if needed, are to be presented regularly to the full Board of Directors for confirmation.

IV. Compensation

The members of the Committee shall receive such compensation as may be determined and approved by the Board of Directors.

Directors shall be paid a per diem for every decision-making exercise or instance utilizing written unanimous consent resolutions, which is half the per diem allocated in an actual meeting (physical or virtual).

V. Duties and Responsibilities of the Committee

The Audit Committee shall have the following duties and responsibilities:

- a. General Procedures
 1. Review and reassess the adequacy of this Charter at least annually and submit the revised Charter, if any, to the Board of Directors for re-approval.
 2. Undertake an annual evaluation assessing its performance with respect to its purposes and its duties and tasks set forth in this Charter. The entire assessment process shall be documented and shall form part of the records of the Company.
 3. Ensure that a review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, is conducted annually.
- b. Independent Oversight Entity

1. Exercise care and diligence when monitoring the transactions and functions of the fund manager;
2. Oversee the transactions and functions of the fund manager to ensure compliance with the disclosures made in the Registration Statement (RS), prospectus, ICA, SRC and their implementing rules and regulations (IRR). For cross-border offerings or transactions, in addition to the abovementioned, oversee the transactions of the fund manager in order to ensure that it also complies with the standards/requirements of bilateral or multilateral agreements allowing cross-border offerings/transactions that the Philippines is party to;
3. Oversee the subscription and redemption of shares or units facilitated by the fund manager and to approve the request of the fund manager in the case of suspension of redemption of shares or units whenever necessary for the protection of the investors subject to the rules on Suspension of Redemption provided under Rule 10.4 of ICA-IRR;
4. Oversee the activities of the fund manager in order to ensure that it complies with the rules on investment restrictions/limitations, liquidity requirements and other regulations involving the operationalization of the investment objectives, investment policy or strategy of the investment company;
5. Oversee the transactions of the fund manager to ensure that delegation will not result in unnecessary fees to be paid by the investment company and ensure that it will not delegate its function to the extent that it becomes a letter box such as when it no longer has the power to make decisions in the implementation of the investment policy and strategies nor retain the suitable processes to monitor, control the activities and evaluate the performance of the delegatee;
6. If, in the reasonable opinion of the IOE, the fund manager has not complied with any of the laws, rules or regulations applicable to the investment company and/or it failed to report to the SEC the said non-compliance, notify the SEC of its opinion, including particulars of the non-compliance, not later than five (5) business days after forming the opinion or upon knowledge of the non-compliance. The notification shall be done by filing an SEC Form 17-C. It shall also notify, without delay, the members of the Board of Directors of the investment company of its opinion so that the Board can apprise the fund manager of the said non-compliance and address any resulting breach;
7. Report to the SEC, any act of the fund manager which in its opinion may be detrimental to the interests of the shareholders or unitholders even if the said act is not in violation of any law, rule or regulation, not later than five (5) business days from knowledge thereof; and
8. If necessary, recommend to the Board of Directors of the investment company that the fund manager be removed due to its inability to fulfill its functions.

c. External Audit

1. Ensure that a ~~BSP~~/SEC accredited external auditor had been appointed by the Board of Directors, as recommended by the Committee, and Stockholders for the purpose of preparing or issuing an audit report or related work.
2. Assess the external auditor's effectiveness, integrity, independence and objectivity, ensuring that key partners and quality control partners of the audit firm are rotated in accordance with the relevant provisions of the Code of Ethics for Professional Accountants in the Philippines as adopted by the

Philippine Board of Accountancy. The Committee shall oversee the resolution of disagreements between management and the external auditors in the event that they arise.

3. Review with Fund Manager the scope of the proposed external audit for the current calendar year, considering the coordination of internal and external audit procedures to promote an effective use of resources and ensure a complete but non-redundant audit.
4. Ensure that the scope of the proposed external audit likewise cover areas prescribed by Securities and Exchange Commission (SEC) and other regulators, as may be applicable. This include:
 - a) Review of the adoption of applicable reporting framework as well as the assessment of the accuracy, adequacy, and reliability of accounting records and financial reports;
 - b) Assessment of the propriety and adequacy of disclosures in the financial statements;
 - c) Assessment of the adequacy and effectiveness of controls and risk management systems;
 - d) Assessment of the quality of capital in relation to risk exposures; and
 - e) Evaluation of the quality of corporate governance.
5. Approve all audit and non-audit services, including its fees, to be provided by the external auditor to the Company. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to its independence. The non-audit work, if allowed, shall be disclosed in the annual report . Review the external audit fees and recommend it for approval by the Board.
6. Ensure that in the selection of external auditor:
 - a) No external auditor may be engaged by the Company if he/she or any member of his/her immediate family had or has committed to acquire any direct or material indirect financial interest in the company.
 - b) External auditors have free and full access to all of the Company's records, properties, and personnel to enable them to perform their audit functions.
 - c) Ensure that external auditors have access to the Fund Manager's personnel to enable them to perform their audit functions on the Company.

d. Financial Statements and Disclosure Matters

1. Review and discuss with management the quarterly, half year financial reports, and with the external auditor, the annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards/ financial reporting regulation, and compliance with tax, legal, and stock exchange requirements;
2. Review and discuss with management, the Fund Manager and the external auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in selection or application of accounting principles, any major issues as to the adequacy of Company's controls, unusual or complex transactions including all related party transactions, and any special steps adopted in light of material control deficiencies.
3. Review with the external auditor any problems or difficulties encountered and the Fund Manager's response; review the external auditor's attestation and report on management's internal control report, and hold timely discussions with the external auditors regarding the following:
 - a) All critical accounting policies and practices;
 - b) All alternative treatments of financial information within Philippine Financial Reporting Standards, the International Accounting Standards (IAS) or any applicable accounting standards that have been discussed with management, implications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditor.

- c) Other material written communications between the external auditor and management including, but not limited to, the management letter, audit adjustments, and schedule of unadjusted differences;
 - d) An analysis of the auditor's judgment as to the quality of the Company's accounting principles, setting forth significant reporting issues and judgments made in connection with the preparation of the financial statements.
4. Receive and review reports of external auditors, including reports of regulatory agencies, and ensure that management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies.

e. Internal Controls

- 1. Discuss with the Fund Manager major risk exposures and the steps taken to monitor and control such exposures, including Fund Manager's risk assessment and risk management processes, policies, controls and governance processes;
- 2. Ensure that the Company maintains its compliance with the international standards on accounting processes, practices, and methodologies.
- 3. Oversee the quality of compliance by operating management of the Fund Manager, Principal Distributor, Transfer Agent with its internal policies and procedures relating to its arrangement with the Company and existing rules and regulations. including but not limited to:
 - a) Employing the proper documentation to ensure enforceability of rights and contracts.
 - b) Installing the appropriate control mechanisms, system and processes (e.g. policy manuals, risk measurement and control systems, performance reports, internal audit programs, reviews, and reports, external audit program and reports, etc.) to ensure the identity and authority of counterparties, the validity and integrity of transactions and data, and the competent management of risks;
 - c) Ensuring the preparation and implementation of contingency plans to ensure business continuity in the event of any major crisis;
 - d) Ensuring the alignment of financial accounting, measurement, reporting, and auditing methodologies and practices with international standards and best practices;
 - e) Ensuring full compliance with the law and regulations and the specific requirements of the BSP, SEC, SRC OIG, AMLC, and other regulatory bodies, where applicable.
 - f) Ensuring a framework for fraud prevention and detection including whistle blower policy/program as well as a robust independent investigation process with appropriate follow up action and subsequent resolution of complaints.

f. Compliance and Anti – Money Laundering

On a regular basis monitor and evaluate the Fund Manager and/or Principal Distributor processes to ensure compliance with rules and regulations and examine it's Anti-Money Laundering control framework. This shall be based on reports from Fund Manager and/or Principal Distributor. It shall ensure that the Fund Manager is taking necessary corrective actions in a timely manner to address compliance issues.

V. Support

The officers of the Company, Fund Manager, Principal Distributor and Transfer Agent shall support the Audit Committee in the rendition of its function.