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# ***BPI Invest Balanced Fund***

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



## **Independent Auditor's Report**

To the Unitholders and Trustee of  
**BPI Invest Balanced Fund**  
7th Floor, BPI Buendia Center,  
Sen. Gil Puyat Avenue, Makati City

### ***Our Opinion***

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

#### *What we have audited*

The financial statements of the Fund comprise:

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

### ***Basis for Opinion***

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

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

#### *Independence*

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

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***Other Matter - Restriction on Use***

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

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

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

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

**Isla Lipana & Co.**

  
Ruth F. Blasco  
Partner

CPA Cert No. 112595

P.T.R. No. 0018519, issued on January 9, 2023, Makati City

SEC A.N. (individual) as general auditors 112595-SEC, Category A; valid to audit 2020 to 2024  
financial statements

SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024  
financial statements

TIN 235-725-236

BIR A.N. 08-000745-133-2023, issued on May 9, 2023; effective until May 8, 2026

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

Makati City  
June 21, 2023

## BPI Invest Balanced Fund

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

	Notes	2022	2021
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Deposits in banks	2	58,862,506	109,446,452
Financial assets at fair value through profit or loss	3,10	4,772,958,886	4,566,121,107
Receivables	5	17,300,699	7,671,779
Other investments	4	-	350,000,000
Total current assets		4,849,122,091	5,033,239,338
<b>NON-CURRENT ASSETS</b>			
Other long-term investments	4	50,000,000	150,000,000
Total assets		4,899,122,091	5,183,239,338
<b><u>LIABILITIES AND NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	6	8,533,173	8,255,039
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			
Total liabilities and net assets attributable to holders of redeemable units	7	4,890,588,918	5,174,984,299
		4,899,122,091	5,183,239,338

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

## BPI Invest Balanced Fund

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

	Notes	2022	2021
<b>INCOME (LOSS)</b>			
Net (loss) income on financial assets at fair value through profit or loss			
Realized loss on sale	3	(71,195,336)	(30,909,770)
Fair value loss	3	(208,211,606)	(18,465,553)
Interest income	3	94,632,175	54,446,471
Dividend income	3	59,231,969	52,843,407
Interest income on:			
Deposits in banks	2	1,610,622	1,367,890
Other investments	4	4,149,792	13,109,500
Other income		50,000	-
		(119,732,384)	72,391,945
<b>EXPENSES</b>			
Trust fees	9	74,809,790	76,241,437
Other	8	821,078	780,479
		75,630,868	77,021,916
LOSS BEFORE TAX		(195,363,252)	(4,629,971)
FINAL WITHHOLDING TAX		20,078,518	13,784,772
NET LOSS FOR THE YEAR		(215,441,770)	(18,414,743)
OTHER COMPREHENSIVE INCOME		-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(215,441,770)</b>	<b>(18,414,743)</b>

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

## **BPI Invest Balanced Fund**

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

	Note	2022	2021
BALANCES AS AT JANUARY 1		5,174,984,299	5,145,339,593
COMPREHENSIVE LOSS			
Net loss for the year		(215,441,770)	(18,414,743)
Other comprehensive income		-	-
Total comprehensive loss for the year		(215,441,770)	(18,414,743)
TRANSACTIONS WITH UNITHOLDERS			
Issuance of units	7	284,159,943	429,075,016
Redemption of units	7	(353,113,554)	(381,015,567)
Total transactions with unitholders		(68,953,611)	48,059,449
BALANCES AS AT DECEMBER 31	7	4,890,588,918	5,174,984,299

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



## BPI Invest Balanced Fund

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

	Notes	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(195,363,252)	(4,629,971)
Adjustments for:			
Net loss (income) on financial assets at fair value			
through profit or loss			
Realized loss on sale	3	71,195,336	30,909,770
Fair value loss	3	208,211,606	18,465,553
Interest income	3	(94,632,175)	(54,446,471)
Dividend income	3	(59,231,969)	(52,843,407)
Interest income on:			
Deposits in banks	2	(1,610,622)	(1,367,890)
Other investments	4	(4,149,792)	(13,109,500)
Operating loss before changes in working capital		(75,580,868)	(77,021,916)
Changes in working capital			
Decrease in other investments		450,000,000	450,000,000
Decrease in accounts payable and accrued expenses		(377,993)	(136,179)
Net cash from operations		374,041,139	372,841,905
Payments on acquisition of securities	3	(2,816,765,961)	(2,200,960,174)
Proceeds from sale of securities	3	2,330,521,240	1,763,177,415
Interest received	2,3,4,5	91,280,566	71,347,019
Dividend received	3,5	58,715,072	53,615,772
Taxes withheld		(20,078,518)	(13,784,772)
Net cash from operating activities		17,713,538	46,237,165
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of redeemable units	7	284,159,943	429,075,016
Payments for redemption of redeemable units	7	(352,457,427)	(383,386,200)
Net cash (used in) from financing activities		(68,297,484)	45,688,816
NET (DECREASE) INCREASE IN DEPOSITS IN BANKS		(50,583,946)	91,925,981
<b>DEPOSITS IN BANKS</b>			
At January 1		109,446,452	17,520,471
At December 31	2	58,862,506	109,446,452

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

## **BPI Invest Balanced Fund**

Notes to the Financial Statements

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

(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

### **1 General information**

BPI Invest Balanced Fund (the “Fund”) is a Unit Investment Trust Fund (UITF) established in accordance with, and operates subject to the provisions of, the Fund’s Plan Rules and the regulations issued by the Bangko Sentral ng Pilipinas (BSP). UITFs are created by virtue of BSP Circular No. 447 which also governs the administration and investments of UITFs and requires that an external audit of the Fund be conducted annually.

The BSP approved the Fund’s Plan Rules on March 16, 2005. It has been operating as a UITF since April 4, 2005 after it was converted from a Common Trust Fund (CTF) product following the directive of the BSP to phase out CTF products effective October 1, 2006.

The Fund was organized to engage in the sale of its units and investment of the proceeds thereof in a diversified portfolio of equities and fixed-income instruments. As an open-end pooled trust fund, the Fund stands ready at any time to redeem its outstanding units at a value defined under the Fund’s Plan Rules.

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

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

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

On June 19, 2019, the Board of Directors of BPI AMTC approved the amendments to the Fund’s Plan Rules to reflect the change in the name of the Fund from BPI Balanced Fund to BPI Invest Balanced Fund. The change was noted by the BSP on August 16, 2019 and was effective on September 16, 2019.

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

#### *Approval of the financial statements*

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

## 2 Deposits in banks

The account at December 31 consists of:

	2022	2021
Savings	13,862,506	12,446,452
Time	45,000,000	97,000,000
	58,862,506	109,446,452

Deposits in banks earn interest in 2022 at effective rates ranging from 0.08% to 5.50% (2021 - 0.18% to 2.40%).

For the year ended December 31, 2022, interest income earned from the above deposits amounts to P1,610,622 (2021 - P1,367,890), of which P11,000 represents interest receivable as at December 31, 2022 (2021 - nil) (Note 5).

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

The account as at December 31 consists of the following investments that are considered as held for trading:

	2022	2021
Philippine listed equity securities	2,460,025,091	2,857,366,025
Philippine government debt securities	1,837,278,744	1,216,436,845
Philippine corporate debt securities	475,655,051	492,318,237
	4,772,958,886	4,566,121,107

The detailed list of investments is presented in Note 10.

For the year ended December 31, 2022, dividend income earned from these investments amounts to P59,231,969 (2021 - P52,843,407). Dividend receivable is disclosed in Note 5.

For the year ended December 31, 2022, interest income earned from Philippine government and corporate debt securities amounts to P94,632,175 (2021 - P54,446,471), of which P15,745,497 represents interest receivable as at December 31, 2022 (2021 - P6,586,474) (Note 5).

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

	2022	2021
At January 1	4,566,121,107	4,166,274,394
Additions	2,816,765,961	2,197,611,265
Disposals	(2,401,716,576)	(1,779,298,999)
Fair value adjustment, net	(208,211,606)	(18,465,553)
At December 31	4,772,958,886	4,566,121,107

Payments for acquisition of securities in 2022 amount to P2,816,765,961 (2021 - P2,200,960,174).

For the year ended December 31, 2022, proceeds from disposals of financial assets at FVTPL amount to P2,330,521,240 (2021 - P1,763,177,415). Realized loss on sale of financial assets at FVTPL presented in the statement of total comprehensive income amounts to P71,195,336 (2021 - P30,909,770).

#### 4 Other investments

The account as at December 31, 2022 consists of short-term time deposits and long-term time deposits amounting to nil and P50,000,000, respectively (2021 - P350,000,000 and 150,000,000, respectively). These time deposits carry an annual effective rate of 1.35% to 2.40% (2021 - 1.20% to 2.40%).

For the year ended December 31, 2022, interest income earned from short-term and long-term time deposits amounts to P1,243,125 and P2,906,667, respectively (2021 - P12,509,500 and P600,000, respectively) of which nil and P53,333 represents interest receivable from short-term and long-term time deposits, respectively, as at December 31, 2022 (2021 - P42,000 and P69,333, respectively) (Note 5).

#### 5 Receivables

The account at December 31 consists of:

	Notes	2022	2021
Accrued interest receivable	2,3,4	15,809,830	6,697,807
Dividend receivable	3	1,490,869	973,972
		17,300,699	7,671,779

#### 6 Accounts payable and accrued expenses

The account at December 31 consists of:

	Note	2022	2021
Trust fees payable	9	6,229,499	6,618,909
Capital shares redeemed payable		2,090,252	1,434,125
Others		213,422	202,005
		8,533,173	8,255,039

Capital shares redeemed payable represents redemptions made by investors yet to be paid as at year-end.

Others represent accrued professional and custodian fees.

#### 7 Net assets attributable to holders of redeemable units

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

NAV consists of principal and accumulated earnings.

As at December 31, 2022, the PFRS NAV is equal to the Fund's trading NAV amounting to P4,890,598,405 (2021 - P5,174,995,774) decreased by adjustment on accrual of professional fees amounting to P9,487 (2021 - P11,475). The adjustment is due to timing differences only and does not materially affect the reported trading NAV of the Fund.

The Fund's trading NAV per unit at December 31 are calculated as follows:

	2022	2021
Trading NAV	4,890,598,405	5,174,995,774
Outstanding units	29,918,223	30,337,085
Trading NAV per unit	163.47	170.58

Proceeds from issuance and payments for redemption of units for the year ended December 31, 2022 amount to P284,159,943 and P352,457,427, respectively (2021 - P429,075,016 and P383,386,200, respectively).

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

	2022	2021
At January 1	30,337,085	30,044,496
Issuances	1,713,251	2,552,912
Redemptions	(2,132,113)	(2,260,323)
At December 31	29,918,223	30,337,085

## 8 Other expenses

The account for the years ended December 31 consist of:

	2022	2021
Custody fees	653,099	613,779
Professional fees	159,439	152,005
Others	8,540	14,695
	821,078	780,479

The Fund has an existing custodian agreement with HSBC for custodial services of the Fund's proprietary assets and/or assets owned in the Philippines. Relative to this, the Fund pays monthly custodian fees of not more than 0.015% per annum of the average daily NAV of the Fund.

## 9 Related party transactions

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

In consideration for the above management, distribution and administration services, the Fund pays BPI AMTC a fee of not more than 1.50% per annum based on the Fund's trading NAV, net of applicable taxes. Total trust fees for the year ended December 31, 2022 amount to P74,809,790 (2021 - P76,241,437), of which P6,229,499 (2021 - P6,618,909) remains unpaid and recorded under accounts payable and accrued expenses in the statement of financial position (Note 6).

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

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

## 10 Breakdown of financial assets at FVTPL

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

As at December 31, 2022

Security description	Number of shares	Market value
<i>Listed common equity shares</i>		
SM Investments Corporation	389,689	350,720,100
SM Prime Holdings, Inc.	7,207,020	255,849,210
BDO Unibank, Inc.	1,600,002	169,120,211
Ayala Land, Inc.	5,319,237	163,832,500
Ayala Corporation	220,075	152,952,125
Bank of the Philippine Islands	1,342,275	136,912,050
International Container Terminal Services, Inc.	675,832	135,166,400
JG Summit Holdings, Inc.	2,362,528	118,835,158
Universal Robina Corporation	842,325	114,556,200
Metropolitan Bank & Trust Company	1,728,692	93,349,368
Aboitiz Equity Ventures, Inc.	1,527,360	88,128,672
Manila Electric Company	196,913	58,837,604
Jollibee Foods Corporation	242,470	55,768,100
RL Commercial REIT, Inc.	9,217,200	53,920,620
PLDT, Inc.	39,087	51,477,579
Monde Nissin Corporation	3,132,300	34,705,884
Globe Telecom, Inc.	14,781	32,222,580
Aboitiz Power Corporation	915,080	31,158,474
ACEN Corporation	4,055,225	30,900,815
Puregold Price Club, Inc.	883,870	30,847,063
AREIT, Inc.	826,400	29,254,560
GT Capital Holdings, Inc.	65,748	28,600,380
San Miguel Corporation	304,590	28,311,640
Metro Pacific Investments Corporation	8,044,930	27,513,661
Robinsons Land Corporation	1,744,456	26,097,062
Semirara Mining and Power Corporation	531,900	18,350,550
LT Group, Inc.	1,827,600	16,813,920
Megaworld Corporation	7,825,530	15,651,060
Alliance Global Group, Inc.	1,303,900	15,516,410
Converge ICT Solutions, Inc.	925,500	14,696,940
Robinsons Retail Holdings, Inc.	188,900	10,172,265
First Gen Corporation	593,830	10,059,480
Filinvest REIT Corp.	1,587,000	8,728,500
Security Bank Corporation	2,850	247,950
	67,685,095	2,409,275,091
<i>Listed preferred equity securities</i>		
Petron Corporation	50,000	50,750,000

Security description	Maturity date	Market value
<i>Philippine government debt securities</i>		
FXT1064 01102029 912-TX	January 10, 2029	25,493,486
FXT2014 09062027 912-TX	September 6, 2027	53,633,812
FXT5-77 04082026 912-TX	April 8, 2026	233,416,311
FXT7-62 02142026 912-TX	February 14, 2026	339,282,410
RTB5-12 03122024912-TX	March 12, 2024	157,784,042
RTB5-13 08122025 912-TX	August 12, 2025	293,408,283
RTB5-15 03042027 912-TX	March 4, 2027	277,002,506
RTB5-16 03072028 912-TX	March 7, 2028	457,257,894
		1,837,278,744
<i>Philippine corporate debt securities</i>		
AC-BOND - 20240528-00912	May 28, 2024	40,835,792
AEV-BOND - 20240618-00912	June 18, 2024	39,638,892
AP-BOND - 20270317-00912	March 17, 2027	10,156,626
BDO-BOND - 20240128-00912	January 28, 2024	49,434,980
BPI-BOND - 20240131-00912	January 31, 2024	24,437,297
CNVRG-BND - 20270408-00912	April 8, 2027	48,435,433
CPI-BOND - 20230107-00912	January 7, 2023	9,698,911
EDC-BOND - 20240625 -00912	June 25, 2024	34,800,982
SMPH-BOND - 20250325-00912	March 25, 2025	19,161,729
AC-BOND - 20270526-00912	May 26, 2027	19,884,047
ACEN-BOND - 20270922-00912	September 22, 2027	33,178,258
ALI-BOND - 20240930 -00912	September 30, 2024	68,157,378
SMCGP-BND - 20280426 -00912	April 26, 2028	45,106,808
SMIC-BOND - 20270218-00912	February 18, 2027	32,727,918
		475,655,051
		4,772,958,886

As at December 31, 2021

Security description	Number of shares	Market value
<i>Listed common equity shares</i>		
SM Investments Corporation	394,387	371,906,941
SM Prime Holdings, Inc.	7,503,920	254,382,888
Ayala Land, Inc.	6,039,237	221,639,998
BDO Unibank, Inc.	1,581,335	190,867,135
Ayala Corporation	223,135	185,425,185
Bank of the Philippine Islands	1,835,195	169,113,219
JG Summit Holdings, Inc.	2,562,528	135,813,984
PLDT, Inc.	63,272	114,648,864
Universal Robina Corporation	859,325	109,993,600
International Container Terminal Services, Inc.	493,232	98,646,400
Metropolitan Bank & Trust Company	1,763,692	98,237,644
Aboitiz Equity Ventures, Inc.	1,762,360	95,960,502
Jollibee Foods Corporation	418,300	90,520,120
RL Commercial REIT, Inc.	11,200,000	85,232,000
Manila Electric Company	211,665	62,483,508
Globe Telecom, Inc.	14,134	46,953,148
Monde Nissin Corporation	2,551,100	41,327,820
GT Capital Holdings, Inc.	76,138	41,114,520
Security Bank Corporation	339,850	40,442,150
Metro Pacific Investments Corporation	9,844,930	38,395,227
ACEN Corporation	3,394,000	37,334,000
Robinsons Land Corporation	1,941,056	37,268,275
San Miguel Corporation	310,950	35,728,155
Puregold Price Club, Inc.	901,870	35,443,491
Aboitiz Power Corporation	933,080	27,712,476
Filinvest REIT Corp.	3,700,000	27,380,000
Megaworld Corporation	7,985,530	25,154,420
LT Group, Inc.	1,865,600	18,469,440
First Gen Corporation	605,830	16,872,365
Alliance Global Group, Inc.	1,329,900	15,692,820
AREIT, Inc.	300,000	14,580,000
Robinsons Retail Holdings, Inc.	214,950	14,057,730
Bloomerry Resorts Corporation	1,360,000	8,568,000
	74,580,501	2,807,366,025
<i>Listed preferred equity securities</i>		
Petron Corporation	50,000	50,000,000



Security description	Maturity date	Market value
<i>Philippine government debt securities</i>		
RTB5-12 03122024 912-TX	March 12, 2024	324,710,023
RTB3-10 02112023 912-TX	February 11, 2023	269,598,047
FXT3-25 09102023 912-TX	September 10, 2023	249,552,293
RTB511 12042022 912-TX	December 4, 2022	144,775,240
RTB5-13 08122025 912-TX	August 12, 2025	126,521,359
FXT7-58 04212023 912-TX	April 21, 2023	101,279,883
		1,216,436,845
<i>Philippine corporate debt securities</i>		
DBP-BOND 12112022 912-TX	December 11, 2022	100,371,804
ALI-BOND 09302024 912	September 30, 2024	70,534,189
AEV-BOND 11162023 912-TX	November 16, 2021	62,408,398
RLC-BOND 07172023 912-TX	July 17, 2023	50,652,466
AC-BOND 05282024 912-TX	May 28, 2024	42,246,145
AEV-BOND 06182024 912-TX	June 18, 2024	40,382,153
FLI-BOND 11182023 912-TX	November 18, 2023	39,758,662
EDC-BOND 06252024 912-TX	June 25, 2024	35,105,092
AP-BOND 01252024 912-TX	January 25, 2024	20,790,323
ALI-BOND 04272022 912-TX	April 27, 2022	20,211,030
CPI-BOND 01072023 912-TX	January 7, 2023	9,857,975
		492,318,237
		4,566,121,107

## 11 Financial risk and capital management

### 11.1 Risk management process

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

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

The Fund aims to achieve long-term capital growth by investing in a diversified portfolio of equity and fixed income securities. The Fund aims to provide excess return over the composite benchmark, 50% Philippine Stock Exchange index (PSEi) and 50% return of the 91-day Philippine Treasury Bill, net of tax.

### 11.2 Market risk

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

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

(a) *Price risk*

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

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

The table below is a summary of the percent exposures of the Fund to each sector as at December 31:

	2022	2021
Holdings	34%	33%
Property	23%	24%
Banks	17%	18%
Food	9%	9%
Power and energy	5%	5%
Retail	6%	4%
Communications	3%	5%
Transportation	2%	2%
Others	1%	-
	100%	100%

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

	2022	2021
Changes in PSEi	21.06%	18.21%
Increase/decrease on net income (loss) on financial assets at FVTPL	510,708,927	493,606,979

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

(b) *Interest rate risk*

The Fund's interest rate risk exposure primarily relates to debt securities, pertaining to financial assets at FVTPL and time deposits, whose market values fluctuate as a result of changes in interest rates or factors specific to their issuer.

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

The sensitivity to a reasonable possible change in market interest rates of the Fund's income (loss) before tax is approximated via the modified duration approach.

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

	2022	2021
Increase/decrease on income (loss) before tax	72,685,346	33,948,199

### 11.3 Credit risk

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

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

Credit risk is minimized through diversification or by investing in a variety of investments belonging to different sectors or industries. The Fund manages credit risk by the selection and approval of counterparties and brokers with stable credit ratings. In accordance with the Fund's policy, the Fund's overall credit position is monitored on a daily basis by the Trustee and is reviewed on a monthly basis by the Trustee's Board of Directors.

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

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

	2022	2021
Deposits in banks	58,862,506	109,446,452
Financial assets at FVTPL	2,312,933,795	1,708,755,082
Other investments	50,000,000	500,000,000
Receivables	17,300,699	7,671,779
	2,439,097,000	2,325,873,313

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

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

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

*(a) Deposits in banks and other investments*

The Fund's deposit exposures are with highly reputable universal banks in the Philippines with an average credit rating of Baa2 by Moody's amounting to P108,862,506 (2021 - P609,446,452).

*(b) Financial assets at FVTPL*

The Fund invests primarily in high yield investments securities. Unrated securities are investments in various medium and long-term corporate debt securities that are from counterparties with no history of default with the Fund.

*(c) Receivables*

The Fund's receivables include interest receivable and dividend receivable in the statement of financial position.

Interest receivable arises from interest earned on bank deposits and other investments.

Dividend receivable arises from dividends declared but not yet distributed as at year-end. The amount is due from listed entities in the Philippine Stock Exchange (PSE).

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

#### **11.4 Liquidity risk**

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

The Fund is exposed to daily cash redemptions of redeemable units. It therefore invests the majority of its assets in investments that are regularly traded in an active market and can be readily disposed of. The Fund's investment portfolio consists of equity securities listed in the PSE and Philippine government debt securities that are regularly traded in an active market.

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

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

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

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

## **11.5 Capital management**

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

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

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

## **11.6 Fair value of financial instruments**

As at December 31, 2022, the Fund's financial assets at FVTPL representing government debt securities amounting to P1,837,278,744 (2021 - P1,216,436,845) are classified under Level 1. Corporate debt securities amounting to P475,655,051 (2021 - P492,318,237), which are designated at FVTPL, are classified under Level 2. Listed equity securities amounting to P2,460,025,091 (2021 - P2,857,366,025) are classified under Level 1. There were no transfers between categories during the reporting periods.

The fair value of listed equity securities is based on the closing price on Bloomberg.

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

The carrying amount of the Fund's other financial assets and financial liabilities at reporting period approximate their fair values considering that these have generally short-term maturities or the impact of discounting is not significant.

## **12 Summary of significant accounting policies**

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

### **12.1 Basis of preparation**

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

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

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

## **Changes in accounting policy and disclosures**

### *(a) New standards, amendments to standards and interpretations*

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

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

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

## **12.2 Financial instruments**

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

### *12.2.1 Measurement methods*

#### *Amortized cost and effective interest rate*

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

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

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

#### *Initial recognition, measurement and derecognition*

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

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

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

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

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

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

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

## **12.3 Financial assets**

### *12.3.1. Classification and subsequent measurement*

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

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

#### *Debt instruments*

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

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

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

- *Amortized cost*

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

Amortized cost financial assets include deposits held at call with banks and short-term highly liquid investments with maturities of three months or less from the date of acquisition which are considered as cash equivalents, other investments and receivables.

- *FVOCI*

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

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

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

- *FVTPL*

Assets that do not meet the criteria for amortized cost or FVOCI and the collection of contractual cash flows is only incidental to achieving the Fund's business model objective are measured at FVTPL. A gain or loss on a debt security that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of total comprehensive income under 'Net income (loss) on financial assets at FVTPL' in the period in which it arises. The Fund's investments in debt securities are continued to be classified as FVTPL as disclosed in Notes 3 and 10.

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

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

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

*Equity investments*

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



The Fund subsequently measures all equity investments at FVTPL, except where the Fund's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, even on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as dividend income when the Fund's right to receive payments is established. Gains and losses on equity investments at FVTPL are included in 'Net income (loss) on financial assets at fair value through profit or loss' in the statement of total comprehensive income. Equity investments classified as financial assets at FVTPL are disclosed in Note 3 and 10.

### *12.3.2 Impairment*

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

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

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

## **12.4 Financial liabilities**

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

### *(a) Financial liabilities at FVTPL*

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

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

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

*(b) Other liabilities measured at amortized cost*

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

## **12.5 Fair value measurement**

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

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

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

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

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

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

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

The Fund has no financial assets and liabilities carried at fair value other than its investments in listed equity securities and Philippine government and corporate debt securities classified as financial assets at FVTPL (Note 3).

## **12.6 Offsetting of financial instruments**

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

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

## **12.7 Subscriptions and redemptions**

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

## 12.8 Redeemable units

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

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

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

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

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

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

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

## 12.9 Revenue and expense recognition

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

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

*Interest income on financial assets measured at amortized cost*

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

*Dividend income*

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

*Trust fees and other expenses*

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

### **12.10 Taxation**

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

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

### **12.11 Functional and presentation currency**

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

### **12.12 Related party relationships and transactions**

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

### **12.13 Events after the reporting date**

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