www.pwc.com/ph

BPI Invest Global Bond Fund-of-Funds

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

pwc

Isla Lipana & Co.

Independent Auditor's Report

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

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BPI Invest Global Bond Fund-of-Funds (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.

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, www.pwc.com/ph

Other Matter - Restriction on Use

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Isla Lipana & Co.

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

Makati City
June 21, 2023

BPI Invest Global Bond Fund-of-Funds

Statements of Financial Position
As at December 31, 2022 and 2021
(All amounts in United States Dollar)

	Notes	2022	2021
ASSETS			
CURRENT ASSETS			
Deposits in banks	2	726,106	517,915
Financial assets at fair value through profit or loss	3,10	21,157,106	19,987,172
Receivables	5	2,000	50,000
Total assets		21,885,212	20,555,087
LIABILITIES AND NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	6	30,800	44,789
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	7	21,854,412	20,510,298
Total liabilities and net assets attributable to holders of redeemable units		21,885,212	20,555,087

(The notes on pages 1 to 16 are an integral part of these financial statements.)

BPI Invest Global Bond Fund-of-Funds

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

	Notes	2022	2021
INCOME (LOSS)			
Net (loss) income on financial assets at fair value through profit or loss:			
Fair value loss	3	(2,317,754)	(108,094)
Realized (loss) gain on sale	3	(59,688)	124,723
Unrealized foreign exchange loss		(13)	(44)
Interest income on:			
Deposits in banks	2	294	544
Other investments	4	-	325
		(2,377,161)	17,454
EXPENSES			
Trust fees	9	137,503	131,450
Other	8	15,599	14,834
		153,102	146,284
LOSS BEFORE TAX		(2,530,263)	(128,830)
FINAL WITHHOLDING TAXES		58	138
NET LOSS FOR THE YEAR		(2,530,321)	(128,968)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(2,530,321)	(128,968)

(The notes on pages 1 to 16 are an integral part of these financial statements.)

BPI Invest Global Bond Fund-of-Funds

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

	Notes	2022	2021
BALANCES AS AT JANUARY 1		20,510,298	16,216,606
COMPREHENSIVE INCOME			
Net loss for the year		(2,530,321)	(128,968)
Other comprehensive income		-	-
Total comprehensive loss for the year		(2,530,321)	(128,968)
TRANSACTIONS WITH UNITHOLDERS			
Issuance of units	5,7	10,083,721	10,853,959
Redemption of units	6,7	(6,209,286)	(6,431,299)
Total transactions with unitholders		3,874,435	4,422,660
BALANCES AS AT DECEMBER 31	7	21,854,412	20,510,298

(The notes on pages 1 to 16 are an integral part of these financial statements.)

BPI Invest Global Bond Fund-of-Funds

Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(All amounts in United States Dollar)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(2,530,263)	(128,830)
Adjustments for:			
Net loss (income) on financial assets at fair value through profit or loss			
Fair value loss	3	2,317,754	108,138
Realized loss (gain) on sale	3	59,688	(124,723)
Interest income on:			
Deposits in banks	2	(294)	(544)
Other investments	4	-	(325)
Operating loss before changes in working capital		(153,115)	(146,284)
Changes in working capital			
Decrease in other investments		-	400,000
Increase in accounts payable and accrued expenses		1,222	2,167
Net cash (used in) generated from operations		(151,893)	255,883
Payments on acquisition of securities	3	(8,212,580)	(5,454,516)
Proceeds from sale of securities	3	4,665,204	1,099,521
Interest received	2,4,5	294	2,550
Final taxes withheld		(58)	(138)
Net cash used in operating activities		(3,699,033)	(4,096,700)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of redeemable units	7	10,131,721	10,833,059
Payments for redemption of redeemable units	7	(6,224,497)	(6,448,914)
Net cash from financing activities		3,907,224	4,384,145
NET INCREASE IN DEPOSITS IN BANKS		208,191	287,445
DEPOSITS IN BANKS			
At January 1		517,915	230,470
At December 31	2	726,106	517,915

(The notes on pages 1 to 16 are an integral part of these financial statements.)

BPI Invest Global Bond Fund-of-Funds

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 United States Dollar unless otherwise stated)

1 General information

BPI Invest Global Bond Fund-of-Funds (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 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.

On November 20, 2013, the Fund's Plan Rules were amended to reflect the change in the name of the Fund form BPI International Fund Plus to BPI Global Bond Fund-of-Funds. The change was approved by the BSP on December 27, 2013.

The Fund was organized to engage in the sale of its units and investment of the proceeds thereof in a diversified portfolio of fixed income collective investment schemes. 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 (the "Fund Manager") and Trustee (the "Trustee") of the Fund.

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

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

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 Global Equity Fund-of-Funds to BPI Invest Global Bond Fund-of-Funds. 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 BrownBrothers Harriman Fund Administration Services (BrownBrothers) and Bank of New York (BONY).

Approval of the financial statements

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

2 Deposits in banks

Deposits in banks consist of savings account amounting to USD726,106 as at December 31, 2022 (2021 - USD517,915).

In 2022, deposits in banks earn interest at effective rates ranging from 0% to 0.275% (2021 - 0.13% to 0.25%).

For the year ended December 31, 2022, interest income earned from the above deposits amounts to USD294 (2021 - USD544).

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

The account at December 31, 2022 consists of investments in mutual funds amounting to USD21,157,106 (2021 - USD19,987,172). The detailed list of investments is presented in Note 10.

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

	2022	2021
At January 1	19,987,172	15,615,592
Additions	8,212,580	5,454,516
Disposals	(4,724,892)	(974,798)
Fair value adjustment, net	(2,317,754)	(108,138)
At December 31	21,157,106	19,987,172

Payments for the acquisition of securities in 2022 amount to USD8,212,580 (2021 - USD5,454,516).

For the year ended December 31, 2022, proceeds from disposals of financial assets at FVTPL amount to USD4,665,204 (2021 - USD1,099,521). Realized loss on sale of financial assets at FVTPL presented in the statement of total comprehensive income amounts to USD59,688 (2021 - gain of USD124,723).

4 Other investments

The account consists of outstanding time deposits with terms of more than 90 days from the dates of acquisition. There is no outstanding balance as at December 31, 2022 and 2021.

For the year ended December 31, 2021, interest income amounted to USD325.

5 Receivables

The account consists of capital shares receivables amounting to USD2,000 as at December 31, 2022 (2021 - USD50,000).

Capital shares receivables pertain to subscriptions made by investors with outstanding collections as at year-end.

6 Accounts payable and accrued expenses

The account at December 31 consists of:

	Note	2022	2021
Capital shares redeemed payable		16,252	31,463
Trust fees payable	9	13,836	12,724
Accrued professional fees		712	602
		30,800	44,789

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

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 USD21,854,582 (2021 - USD20,510,413) decreased by adjustment on accrual of professional fees amounting to USD170 (2021 - USD115). 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 computed as follows:

	2022	2021
Trading NAV	21,854,582	20,510,413
Outstanding units	132,690	109,527
Trading NAV per unit	164.70	187.26

Proceeds from issuance and payments for redemption of units for the year ended December 31, 2022 amount to USD10,131,721 and USD6,224,497, respectively (2021 - USD10,833,059 and USD6,448,914, respectively).

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

	2022	2021
At January 1	109,527	85,987
Issuances	59,662	57,729
Redemptions	(36,499)	(34,189)
At December 31	132,690	109,527

8 Other expenses

The account at December 31 consist of:

	2022	2021
Professional fees	651	618
Others	14,948	14,216
	15,599	14,834

Others include index licensing fee and taxes and licenses.

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 0.75% 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 USD137,503 (2021 - USD131,450), of which USD13,836 (2021 - USD12,724) 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 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
Mutual fund		
PIMCO GIS Global Bond Fund	199,386	6,314,567
Wellington Global Impact Bond Fund	463,558	4,582,873
Neuberger Berman Us Strategic Income Fund	231,836	2,844,627
PIMCO GIS Income Fund	178,565	2,821,331
PIMCO Global Investment Grade Credit ESG Fund	206,532	2,149,995
Neuberger Berman Emerging Market Debt - Hard Currency Fund	79,560	957,900
Neuberger Berman Emerging Market Debt Fund	82,512	689,802
Neuberger Berman Short Duration High Yield SDG Engagement Fund	42,617	596,632
Neuberger Berman Global Senior Floating Rate Income Fund	15,552	199,379
	1,500,118	21,157,106

As at December 31, 2021

Security description	Number of shares	Market value
Mutual fund		
PIMCO GIS Global Bond Fund	161,137	5,759,024
Neuberger Berman Us Strategic Income Fund	271,385	3,709,835
Wellington Global Impact Bond Fund	295,327	3,335,806
PIMCO GIS Income Fund	191,743	3,274,969
Neuberger Berman Emerging Market Debt - Hard Currency Fund	96,477	1,433,648
PIMCO Global Investment Grade Credit ESG Fund	76,522	934,332
Neuberger Berman Short Duration Emerging Market Debt Fund	42,948	545,012
NN L FLEX Senior Loans Fund	43	538,019
Neuberger Berman Emerging Market Debt Fund	47,555	456,527
	1,183,137	19,987,172

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), credit risk and liquidity risk by virtue of its investment in the Target Funds. 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 risks inherent in investments approved by the investors.

The Fund, operating as a Fund-of-Funds, intends to achieve for its participants capital appreciation and income derived from a diversified portfolio of foreign-currency denominated fixed income collective investment schemes. Pursuant to existing BSP rules and regulations, as a Fund-of-Funds, the Fund is mandated to invest at least 90% of its asset in more than one collective investment scheme. The Fund aims to provide returns over the Bloomberg Barclays Global Aggregate Bond Total Return Unhedged Index.

11.2 Market risk

The Fund trades in financial instruments, taking tactical and strategic positions in collective investment schemes mainly invested in fixed income securities. 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 risks. Price risk arises from investments held by the Fund of which prices in the future are uncertain.

Price risk is the risk of loss arising from the adverse price movements of collective investment schemes (classified as financial assets at FVTPL). The Fund's overall market position is 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.

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 performance benchmark of the Fund from JP Morgan Global Aggregate Bond Index to Bloomberg Barclays Global Aggregate Bond Total Return Unhedged Index. The change was effective September 16, 2019.

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

The Trustee manages price risk through diversification and careful selection of collective investment schemes within specified limits as indicated in the Fund's Plan Rules. The exposure of a UITF to a single entity and its related parties shall not exceed fifteen percent (15%) of the NAV except for non-risk assets as defined by the BSP. In the case of the Fund, which is a Fund-of-Funds UITF, the exposure limit shall be applied on the Target Fund's underlying investments. Furthermore, the investment in any one Target Fund shall not exceed ten percent (10%) of the total net asset value of the Target Fund.

The following table demonstrates the sensitivity to reasonable possible movements in the price of the Target Funds:

As at December 31, 2022

Security description	Change in NAV per unit	Amounts
Mutual funds	8.20%	
PIMCO GIS Global Bond Fund		519,483
Neuberger Berman Us Strategic Income Fund		233,928
Wellington Global Impact Bond Fund		376,485
PIMCO GIS Income Fund		231,886
PIMCO Global Investment Grade Credit ESG Fund		176,712
Neuberger Berman Emerging Market Debt - Hard Currency Fund		78,581
Neuberger Berman Emerging Market Debt Fund		56,587
Neuberger Berman Short Duration High Yield SDG Engagement Fund		48,909
Neuberger Berman Global Senior Floating Rate Income Fund		16,343
		1,738,914

As at December 31, 2021

Security description	Change in NAV per unit	Amounts
Mutual funds	3.92%	
PIMCO GIS Global Bond Fund		225,653
Neuberger Berman Us Strategic Income Fund		145,360
Wellington Global Impact Bond Fund		130,705
PIMCO GIS Income Fund		128,321
Neuberger Berman Emerging Market Debt - Hard Currency Fund		56,174
PIMCO Global Investment Grade Credit ESG Fund		36,609
Neuberger Berman Short Duration Emerging Market Debt Fund		21,355
NN L FLEX Senior Loans Fund		21,081
Neuberger Berman Emerging Market Debt Fund		17,888
		783,146

The sensitivity analysis takes into account the annualized volatility of the Target Fund prices for the past year.

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, investments in mutual funds classified as financial assets at FVTPL, other investments and receivables. The carrying amount 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 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	726,106	517,915
Financial assets at FVTPL	21,157,106	19,987,172
Receivables	2,000	50,000
	21,885,212	20,555,087

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

As at December 31, 2022 and 2021, the Fund's deposit exposure is with highly reputable universal banks and commercial banks in the Philippines, with an average credit rating of Baa2 by Moody's.

(b) Financial assets at FVTPL

The Fund's financial assets at FVTPL consist of investments in mutual funds with an excellent capacity to meet financial commitments and with very low credit risk.

(c) Receivables

The Fund's receivables include capital shares receivable.

Capital shares receivable is composed of subscriptions receivables arising from contributions of investors that are pending settlement as at year-end.

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 mainly of liquid target funds, deposit instruments and fixed income instruments that are regularly traded in active markets.

In accordance with the Fund's policy, the Trustee monitors the Fund's liquidity position on a daily basis and excess cash positions is 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 that client's liquidity requirements are met in a timely and orderly manner.

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

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

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 amounting to P21,157,106 (2021 - P19,897,192) are classified under Level 1. There are no financial instruments at fair value which are classified under Level 2 and Level 3. There were no transfers between categories during the reporting periods.

The fair value of USD-denominated investments in mutual funds is based on the closing price in Bloomberg.

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

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.

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

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

Changes in accounting policy and disclosures

(a) New standard, 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), 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.

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 financial assets depend on the Fund's business model for managing the asset and the cash flow characteristics of the asset.

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

- *Amortized cost*

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

  Deposits in banks 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 consist of short-term deposits with a term of more than 90 days from the date of acquisition.

- *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 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 financial asset that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of total comprehensive income under 'Net income (loss) on financial assets at fair value through profit or loss' in the period in which it arises.

  As at December 31, 2022 and 2021, the Fund's investments in mutual funds are mandatorily classified as FVTPL as disclosed in Note 3 and 10.

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

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

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

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 Determination of fair value

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

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

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

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

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

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

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

The Fund has no financial assets and liabilities carried at fair value other than its investments classified as financial assets at FVTPL (Notes 3 and 10).

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

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

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

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

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

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

12.9 Revenue and expense recognition

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

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

Interest income on financial assets measured at amortized cost

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

Trust fees and other expenses

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

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 and other investments which are subject to final withholding tax. Such income is presented at gross amount and the related 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 USD. The performance of the Fund is measured and reported to the investors in USD. The Fund's Trustee considers the USD as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in USD, 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 financial statements when material.