

BPI Balanced Fund

Financial Statements

As at and for the years ended December 31, 2024 and 2023



pwc



Independent Auditor's Report

To the Unitholders and Trustee of
BPI Balanced Fund
27th Floor, Ayala Triangle Gardens 2
Paseo de Roxas corner Makati Avenue
Makati City

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BPI Balanced Fund (the "Fund") as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

What we have audited

The financial statements of the Fund comprise:

- the statements of financial position as at December 31, 2024 and 2023;
- the statements of total comprehensive income for the years ended December 31, 2024 and 2023;
- the statements of changes in net assets attributable to holders of redeemable units for the years ended December 31, 2024 and 2023;
- the statements of cash flows for the years ended December 31, 2024 and 2023; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for Opinion

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

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

Independence

We are independent of the Fund in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the 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 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 PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

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



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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.


Imelda Dela Vega-Mangundaya
Partner

CPA Cert. No. 0090670

PTR No. 0024586, issued on January 3, 2025, Makati City

TIN 152-015-124

BIR A.N. 08-000745-047-2024, issued on October 30, 2024; effective until October 29, 2027

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

Makati City
June 20, 2025

BPI Balanced Fund

Statements of Financial Position
As at December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Notes	2024	2023
Assets			
Current assets			
Deposits in banks	2	110,547,460	37,535,992
Financial assets at fair value through profit or loss	3,10	4,405,013,306	4,704,071,776
Receivables	5	39,020,184	29,758,087
Total assets		4,554,580,950	4,771,365,855
Liabilities and Net assets attributable to holders of redeemable units			
Current liabilities			
Accounts payable and accrued expenses	6	13,831,420	8,507,793
Net assets attributable to holders of redeemable units	7	4,540,749,530	4,762,858,062
Total liabilities and net assets attributable to holders of redeemable units		4,554,580,950	4,771,365,855

The notes on pages 1 to 18 are an integral part of these financial statements.

BPI Balanced Fund

Statements of Total Comprehensive Income
For the years ended December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Notes	2024	2023
Income			
Net income (loss) on financial assets at fair value through profit or loss			
Realized loss on sale	3	(94,479,295)	(101,396,594)
Fair value gain	3	176,364,668	115,162,663
Interest income	3	135,169,195	127,180,021
Dividend income	3	72,555,979	63,424,751
Interest income on:			
Deposits in banks	2	3,576,584	4,295,465
Other investments	4	-	289,167
		293,187,131	208,955,473
Expenses			
Trust fees	9	70,901,139	72,509,337
Other	8	846,277	882,259
		71,747,416	73,391,596
Income before tax		221,439,715	135,563,877
Final withholding tax		27,749,156	26,352,931
Net income for the year		193,690,559	109,210,946
Other comprehensive income		-	-
Total comprehensive income for the year		193,690,559	109,210,946

The notes on pages 1 to 18 are an integral part of these financial statements.

BPI Balanced Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units
For the years ended December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Notes	2024	2023
Balances as at January 1		4,762,858,062	4,890,588,918
Comprehensive income			
Net income for the year		193,690,559	109,210,946
Other comprehensive income		-	-
Total comprehensive income for the year		193,690,559	109,210,946
Transactions with unitholders			
Issuance of units	7	161,451,477	149,946,479
Redemption of units	6,7	(577,250,568)	(386,888,281)
Total transactions with unitholders		(415,799,091)	(236,941,802)
Balances as at December 31	7	4,540,749,530	4,762,858,062

The notes on pages 1 to 18 are an integral part of these financial statements.

BPI Balanced Fund

Statements of Cash Flows For the years ended December 31, 2024 and 2023 (All amounts in Philippine Peso)

	Notes	2024	2023
Cash flows from operating activities			
Income before tax		221,439,715	135,563,877
Adjustments for:			
Net (income) loss on financial assets at fair value through profit or loss			
Realized loss on sale	3	94,479,295	101,396,594
Fair value gain	3	(176,364,668)	(115,162,663)
Interest income	3	(135,169,195)	(127,180,021)
Dividend income	3	(72,555,979)	(63,424,751)
Interest income on:			
Deposits in banks	2	(3,576,584)	(4,295,465)
Other investments	4	-	(289,167)
Interest received	2,3,4,5	137,224,780	124,437,423
Dividend received	3,5	72,963,335	61,727,166
Operating income before changes in working capital		138,440,699	112,772,993
Changes in working capital			
Decrease in other investments		-	50,000,000
Decrease in accounts payable and accrued expenses		(264,109)	(160,555)
Net cash from operations		138,176,590	162,612,438
Payments on acquisition of securities	3,6	(1,507,175,293)	(882,179,290)
Proceeds from sale of securities	3,5	1,886,127,524	961,399,896
Taxes withheld		(27,749,156)	(26,352,931)
Net cash from operating activities		489,379,665	215,480,113
Cash flows from financing activities			
Proceeds from issuance of redeemable units	7	161,451,477	149,946,479
Payments for redemption of redeemable units	7	(577,819,674)	(386,753,106)
Net cash used in financing activities		(416,368,197)	(236,806,627)
Net increase (decrease) in deposits in banks		73,011,468	(21,326,514)
Deposits in banks			
At January 1		37,535,992	58,862,506
At December 31	2	110,547,460	37,535,992

The notes on pages 1 to 18 are an integral part of these financial statements.

BPI Balanced Fund

Notes to the Financial Statements

As at and for the years ended December 31, 2024 and 2023

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

1 General information

BPI 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 July 19, 2023, the Board of Directors of BPI Wealth approved the amendments to the Fund’s Plan Rules to reflect the change in the name of the Fund from BPI Invest Balanced Fund to BPI Balanced Fund. The change was noted by the BSP on August 3, 2023 and was effective on August 24, 2023.

The Fund’s proprietary assets and/or assets owned in the Philippines are under the custody of Deutsche Bank AG Manila (DB) (2023 - 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 18, 2025. There are no material events that occurred subsequent to June 18, 2025 up to June 20, 2025.

2 Deposits in banks

The account at December 31 consists of:

	2024	2023
Savings	61,547,460	12,535,992
Time	49,000,000	25,000,000
	110,547,460	37,535,992

Deposits in banks earn interest at effective rates ranging from 3.50% to 6.20% in 2024 (2023 - 3.26% to 4.80%).

For the year ended December 31, 2024, interest income earned from the above deposits amounts to P3,576,584 (2023 - P4,295,465), of which P27,004 represents interest receivable as at December 31, 2024 (2023 - P6,667) (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:

	2024	2023
Philippine listed equity securities	2,159,311,669	2,156,256,220
Philippine government debt securities	2,031,991,660	2,128,462,903
Philippine corporate debt securities	213,709,977	419,352,653
	4,405,013,306	4,704,071,776

The detailed list of investments is presented in Note 10.

For the year ended December 31, 2024, dividend income earned from equity securities amounts to P72,555,979 (2023 - P63,424,751). Dividend receivable is disclosed in Note 5.

For the year ended December 31, 2024, interest income earned from Philippine government and corporate debt securities amounts to P135,169,195 (2023 - P127,180,021), of which P24,631,055 represents interest receivable as at December 31, 2024 (2023 - P23,130,393) (Note 5).

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

	2024	2023
At January 1	4,704,071,776	4,772,958,886
Additions	1,513,332,135	882,179,290
Disposals	(1,988,755,273)	(1,066,229,063)
Fair value adjustment, net	176,364,668	115,162,663
At December 31	4,405,013,306	4,704,071,776

Payments on acquisition of securities in 2024 amount to P1,507,175,293 (2023 - P882,179,290).

For on year ended December 31, 2024, proceeds from disposals of financial assets at FVTPL amount to P1,886,127,524 (2023 - P961,399,896). Realized loss on sale of financial assets at FVTPL amounts to P94,479,295 (2023 - P101,396,594).

4 Other investments

For the year ended December 31, 2023, interest income earned from time deposits amounts to P289,167. There is no time deposit outstanding as at December 31, 2024 and 2023.

5 Receivables

The account at December 31 consists of:

	Notes	2024	2023
Interest receivable	2,3	24,658,059	23,137,060
Due from brokers		11,581,027	3,432,573
Dividend receivable		2,781,098	3,188,454
		39,020,184	29,758,087

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

6 Accounts payable and accrued expenses

The account at December 31 consists of:

	Note	2024	2023
Due to brokers		6,156,842	-
Trust fees payable	9	5,812,799	6,047,076
Capital shares redeemed payable		1,656,321	2,225,427
Others		205,458	235,290
		13,831,420	8,507,793

Due to brokers represent payables for securities purchased that have been contracted for but not yet settled or delivered at the end of reporting period.

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) Accounting Standards (PFRS NAV).

NAV consists of principal and accumulated earnings.

As at December 31, 2024, the PFRS NAV is equal to the Fund's trading NAV amounting to P4,540,725,503 (2023 - P4,762,840,194) increased by adjustment on accrual of professional fees amounting to P24,027 (2023 - P17,868). 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 is calculated as follows:

	2024	2023
Trading NAV	4,540,725,503	4,762,840,194
Outstanding units	26,110,456	28,489,015
Trading NAV per unit	173.90	167.18

Proceeds from issuance and payments for redemption of units for the year ended December 31, 2024 amount to P161,451,477 and P577,819,674 (2023 - P149,946,479 and P386,753,106), respectively.

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

	2024	2023
At January 1	28,489,015	29,918,223
Issuances	923,429	907,054
Redemptions	(3,301,988)	(2,336,262)
At December 31	26,110,456	28,489,015

8 Other expenses

The account for the years ended December 31 consist of:

	2024	2023
Custody fees	648,678	669,038
Professional fees	194,961	207,155
Others	2,638	6,066
	846,277	882,259

The Fund has an existing custodian agreement with DB (2023 - 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 0.0022% (2023 - 0.015%) of the average daily NAV of the Fund.

9 Related party transactions

As the Fund's Trustee, BPI Wealth 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 Wealth 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, 2024 amount to P70,901,139 (2023 - P72,509,337), of which P5,812,799 (2023 - P6,047,076) 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, 2024

Security description	Number of shares	Market value
<i>Listed common equity securities</i>		
SM Investments Corporation	353,361	317,671,539
International Container Terminal Services, Inc.	642,302	247,928,572
BDO Unibank, Inc.	1,526,946	219,880,224
Bank of the Philippine Islands	1,659,723	202,486,206
SM Prime Holdings, Inc.	7,022,110	176,606,067
Metropolitan Bank & Trust Company	1,823,006	131,256,432
Ayala Land, Inc.	4,454,157	116,698,913
Ayala Corporation	183,935	110,177,065
Manila Electric Company	192,793	94,082,984
Jollibee Foods Corporation	309,510	83,258,190
PLDT, Inc.	60,802	78,738,590
Globe Telecom, Inc.	21,378	46,689,552
Aboitiz Equity Ventures, Inc.	1,354,940	46,542,189
GT Capital Holdings, Inc.	48,343	31,809,694
Universal Robina Corporation	387,068	30,578,372
Century Pacific Food, Inc.	645,800	27,091,310
AREIT, Inc.	699,000	26,527,050
Monde Nissin Corporation	2,923,200	25,139,520
DMCI Holdings, Inc.	2,113,200	22,864,824
Semirara Mining and Power Corporation	623,000	21,742,700
LT Group, Inc.	1,700,000	17,850,000
Manila Water Company, Inc.	648,400	17,506,800
San Miguel Corporation	175,000	15,050,000
JG Summit Holdings, Inc.	626,849	12,881,747
ACEN Corporation	3,126,101	12,504,404
Aboitiz Power Corporation	250,000	9,425,000
Alliance Global Group, Inc.	745,900	6,713,100
RL Commercial REIT, Inc.	726,000	4,247,100
Converge Information and Communications Technology Solutions, Inc.	145,000	2,340,300
Robinsons Land Corporation	158,438	2,107,225
Bloomerry Resorts Corporation	200,000	916,000
		2,159,311,669

Security description	Maturity date	Market value
<i>Philippine government debt securities</i>		
RTB5-16 20280307 912-TX	March 7, 2028	366,799,948
FXT10-72 20340125 912-TX	January 25, 2034	301,410,147
RTB5-18 20290228 912-TX	February 28, 2029	301,305,718
FXT7-68 20291013 912-TX	October 13, 2029	200,424,534
RTB5-17 20280822 912-TX	August 22, 2028	188,433,166
FXT7-70 20300727 912-TX	July 27, 2030	156,352,133
FXT7-67 20290519 912-TX	May 19, 2029	101,189,648
FXT7-62 20260214 912-TX	February 14, 2026	100,273,472
FXT5-77 20260408 912-TX	April 8, 2026	77,886,805
FXT7-69 20300427 912-TX	April 27, 2030	64,700,233
FXT1069 20320915 912-TX	September 15, 2032	51,398,709
FXT10-71 20330817 912-TX	August 17, 2033	51,232,355
FXT7-71 20310118 912-TX	January 18, 2031	39,977,037
FXT1064 20290110 912-TX	January 10, 2029	25,599,961
FXT3-30 20270104 912-TX	January 4, 2027	5,007,794
		2,031,991,660
<i>Philippine corporate debt securities</i>		
CNVRG-BND - 20270408-00912	April 8, 2027	48,956,799
SMCGP-BND - 20280426-00912	April 26, 2028	47,780,120
ACEN-BOND - 20270922-00912	September 22, 2027	34,456,072
SMIC-BOND - 20270218-00912	February 18, 2027	33,871,360
SMPH-BOND - 20250325-00912	March 25, 2025	19,930,555
AC-BOND - 20270526-00912	May 26, 2027	18,962,193
AP-BOND - 20270317-00912	March 17, 2027	9,752,878
		213,709,977
		4,405,013,306

As at December 31, 2023

Security description	Number of shares	Market value
<i>Listed common equity securities</i>		
SM Investments Corporation	396,689	345,912,808
SM Prime Holdings, Inc.	7,187,020	236,452,958
BDO Unibank, Inc.	1,400,002	182,700,261
Ayala Land, Inc.	4,834,237	166,539,465
Ayala Corporation	202,075	137,613,075
Bank of the Philippine Islands	1,622,596	168,425,464
International Container Terminal Services, Inc.	665,822	164,324,870
JG Summit Holdings, Inc.	2,362,528	90,130,443
Universal Robina Corporation	847,325	100,153,815
Metropolitan Bank & Trust Company	1,728,692	88,681,900
Aboitiz Equity Ventures, Inc.	1,527,360	68,120,256
Manila Electric Company	77,303	30,843,897
Jollibee Foods Corporation	261,320	65,695,848
RL Commercial REIT, Inc.	599,000	2,929,110
PLDT, Inc.	45,767	58,535,993
Monde Nissin Corporation	3,334,300	27,941,434
Globe Telecom, Inc.	16,906	29,078,320
ACEN Corporation	5,289,506	23,168,036
Puregold Price Club, Inc.	883,870	23,776,103
GT Capital Holdings, Inc.	34,167	20,158,530
San Miguel Corporation	143,970	14,699,337
Robinsons Land Corporation	709,156	11,303,947
Semirara Mining and Power Corporation	566,900	17,148,725
LT Group, Inc.	1,827,600	16,411,848
Alliance Global Group, Inc.	745,900	8,413,752
Converge ICT Solutions, Inc.	710,000	5,949,800
Century Pacific Food, Inc.	85,500	2,646,225
		2,107,756,220
<i>Listed preferred equity securities</i>		
Petron Corporation	50,000	48,500,000
		2,156,256,220

Security description	Maturity date	Market value
<i>Philippine government debt securities</i>		
FXT1064 01102029 912-TX	January 10, 2029	25,803,262
FXT2014 09062027 912-TX	September 6, 2027	53,683,378
FXT5-77 04082026 912-TX	April 8, 2026	239,306,790
FXT7-62 02142026 912-TX	February 14, 2026	341,630,948
RTB5-13 08122025 912-TX	August 12, 2025	47,371,480
RTB5-15 03042027 912-TX	March 4, 2027	283,613,544
FXT10-71 08172033 912-TX	August 17, 2033	51,993,994
FXT10-69 09152032 912-TX	September 15, 2032	52,194,626
FXT7-68 10132029 912-TX	October 13, 2029	202,992,230
FXT7-69 04272030 912-TX	April 27, 2030	65,037,968
FXT7-70 07272030 912-TX	July 27, 2030	158,002,352
RTB5-16 03072028 912-TX	March 7, 2028	417,103,668
RTB5-17 20280822 912-TX	August 22, 2028	189,728,663
		2,128,462,903
<i>Philippine corporate debt securities</i>		
AC-BOND - 20240528-00912	May 28, 2024	42,216,260
AEV-BOND - 20240618-00912	June 18, 2024	39,900,505
AP-BOND - 20270317-00912	March 17, 2027	9,835,875
BPI-BOND - 20240131-00912	January 31, 2024	24,974,243
CNVRG-BND - 20270408-00912	April 8, 2027	49,511,744
EDC-BOND - 20240625 -00912	June 25, 2024	34,788,931
SMPH-BOND - 20250325-00912	March 25, 2025	19,606,986
AC-BOND - 20270526-00912	May 26, 2027	18,772,173
ACEN-BOND - 20270922-00912	September 22, 2027	33,656,721
ALI-BOND - 20240930 -00912	September 30, 2024	68,805,262
SMCGP-BND - 20280426 -00912	April 26, 2028	43,957,322
SMIC-BOND - 20270218-00912	February 18, 2027	33,326,631
		419,352,653
		4,704,071,776

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 the policies approved by the Trustee's Board of Directors. The Trustee's 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 Trustee's Board of Directors. Compliance with the Fund's investment policies is reported to the Trustee's 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:

	2024	2023
Holdings	27%	19%
Banks	26%	12%
Property	15%	35%
Transportation	11%	2%
Food	8%	12%
Power and energy	7%	14%
Communications	6%	2%3%
Retail	-	2%
Others	-	2%
	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:

	2024	2023
Changes in PSEi	15.81%	14.53%
Increase/decrease on net income (loss) on financial assets at FVTPL	345,509,420	324,183,724

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 ± 100 bps in interest rates for the years ended December 31 with all other variables held constant:

	2024	2023
Increase/decrease on income (loss) before tax	88,608,898	84,136,991

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

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:

	2024	2023
Deposits in banks	110,547,460	37,535,992
Financial assets at FVTPL	2,245,701,637	2,547,815,556
Receivables	39,020,184	29,758,087
	2,395,269,281	2,615,109,635

For financial assets measured at amortized cost, the Fund measures credit risk and the 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, 2024 and 2023 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, 2024 and 2023 follows:

(a) Deposits in banks and other investments

The Fund's deposit accounts, including other investments, are maintained with highly reputable universal banks in the Philippines with an average credit rating of Baa2 by Moody's.

(b) Financial assets at FVTPL

The Fund invests primarily in high yield investments securities. The Fund's debt securities issued by the Philippine government have an average credit rating of stable investment grade (Baa2) by Moody's, while the Fund's corporate debt securities are unrated but issued by Philippine corporations with no history of default with the fund.

(c) Receivables

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

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

Due from brokers arises from proceeds of securities disposed but not yet collected as at year-end.

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, 2024 and 2023 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 and corporate 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 due to brokers, trust fees payable, capital shares redeemed payable and other professional and custodian fees, which are all 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, 2024, the Fund's financial assets at FVTPL representing government debt securities amounting to P2,031,991,660 (2023 - P2,128,462,903) are classified under Level 1. Corporate debt securities amounting to P213,709,977 (2023 - P419,352,653), which are designated at FVTPL, are classified under Level 2. Listed equity securities amounting to P2,159,311,669 (2023 - P2,156,256,220) 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 material 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 PFRS Accounting Standards. PFRS Accounting Standards comprise the following authoritative literature:

- PFRS Accounting Standards
- PAS Standards
- Interpretations issued by the international Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC), and Standing Interpretations Committee (SIC) as approved by the Financial and Sustainability Reporting Standard Council (FSRC) and the Board of Accountancy, and adopted by SEC.

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 and amendments to existing standards adopted by the Fund*

There are no new standards or amendments to existing standards effective January 1, 2024 that have a material impact to the Fund.

(b) *New standards and amendments to existing standard not yet adopted by the Fund*

- PFRS 18, '*Presentation and Disclosure in Financial Statements*'

This is the new standard on presentation and disclosure in financial statements, which replaces PAS 1, with a focus on updates to the statement of profit or loss.

The key new concepts introduced in PFRS 18 relate to:

- The structure of the statement of profit or loss with defined subtotals;
 - Requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss
 - Required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
 - Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general
- Amendments to the Classification and Measurement of Financial Instruments – Amendments to PFRS 9 and PFRS 7

On May 30, 2024, the IASB issued targeted amendments to PFRS 9 Financial Instruments and PFRS 7 Financial Instruments: Disclosures to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- (a) Clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- (b) Clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- (c) Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- (d) Update the disclosures for equity instruments design

The adoption of PFRS 18 and amendments to PFRS 9 and PFRS 7 are not expected to have a material financial effect to the financial statements of the Fund.

There are no other standards, amendments to existing standards or interpretations effective subsequent to January 1, 2025 that are considered relevant or would be expected to have a material impact on the Fund's financial statements.

12.2 Financial instruments

12.2.1 Initial recognition and measurement

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 Notes 11.3 and 12.2.2.2.

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.

12.2.2 Financial assets

12.2.2.1 Classification and subsequent measurement

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

- *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

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 Notes 3 and 10.

12.2.2.2 Impairment

The Fund assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortized cost. 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.

12.2.3 Financial liabilities

The Fund classifies its financial liabilities at amortized cost. The liabilities subsequently measured at amortized cost include accounts payable and accrued expenses.

12.2.4 Derecognition

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).

12.3 Fair value measurement

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 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.

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 (Notes 3 and 11.6).

12.4 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.

12.5 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.

12.6 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 dividend income and all realized and unrealized fair value changes. Dividend income is recognized when the right to receive payment is established.

Interest income on financial assets measured at amortized cost

Interest is recognized on a time-proportion 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.

12.7 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 recorded net of applicable taxes.

12.8 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.

12.9 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.