

BPI Global Health Care Feeder Fund

Financial Statements

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



Independent Auditor's Report

To the Unitholders and Trustee of
BPI Global Health Care Feeder 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 Global Health Care Feeder 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 Global Health Care Feeder 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.



Imelja 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 Global Health Care Feeder Fund

Statements of Financial Position
As at December 31, 2024 and 2023
(All amounts in United States Dollar)

	Notes	2024	2023
Assets			
Current assets			
Deposit in bank	2	70,052	144,158
Financial assets at fair value through profit or loss	3	4,112,150	6,337,487
Receivables	4	24	25
Total assets		4,182,226	6,481,670
Liabilities and Net assets attributable to holders of redeemable units			
Current liabilities			
Accounts payable and accrued expenses	5	15,846	49,738
Net assets attributable to holders of redeemable units	6	4,166,380	6,431,932
Total liabilities and net assets attributable to holders of redeemable units		4,182,226	6,481,670

The notes on pages 1 to 12 are an integral part of these financial statements.

BPI Global Health Care Feeder Fund

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

	Notes	2024	2023
Income (loss)			
Net income (loss) on financial assets at fair value			
through profit or loss			
Realized gain (loss) on sale	3	123,735	(70,258)
Fair value (loss) gain	3	(39,147)	422,621
Interest income on deposit in bank	2	4,459	30
		89,047	352,393
Expenses			
Trust fees	8	78,229	64,377
Other	7	965	1,184
		79,194	65,561
Income before tax		9,853	286,832
Final withholding tax		669	5
Net income for the year		9,184	286,827
Other comprehensive income		-	-
Total comprehensive income for the year		9,184	286,827

The notes on pages 1 to 12 are an integral part of these financial statements.

BPI Global Health Care Feeder 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 United States Dollar)

	Notes	2024	2023
Balance as at January 1		6,431,932	6,818,091
Comprehensive income			
Net income for the year		9,184	286,827
Other comprehensive income		-	-
Total comprehensive income for the year		9,184	286,827
Transactions with unitholders			
Issuance of units	4,6	1,241,210	418,523
Redemption of units	5,6	(3,515,946)	(1,091,509)
Total transactions with unitholders		(2,274,736)	(672,986)
Balance as at December 31		4,166,380	6,431,932

The notes on pages 1 to 12 are an integral part of these financial statements.

BPI Global Health Care Feeder Fund

Statements of Cash Flows
For the years ended December 31, 2024 and 2023
(All amounts in United States Dollar)

	Notes	2024	2023
Cash flows from operating activities			
Income before tax		9,853	286,832
Adjustments for:			
Net (income) loss on financial assets at fair value through profit or loss			
Realized (gain) loss on sale	3	(123,735)	70,258
Fair value loss (gain)	3	39,147	(422,621)
Interest income on deposit in bank	2	(4,459)	(30)
Interest received	4	4,465	5
Operating loss before changes in working capital		(74,729)	(65,556)
Changes in working capital			
Increase (decrease) in accounts payable and accrued expenses		81	(536)
Net cash used in operations		(74,648)	(66,092)
Payments on acquisition of securities	3	(560,075)	-
Proceeds from sale of securities	3	2,870,000	780,000
Payment of final withholding taxes		(669)	(5)
Net cash from operating activities		2,234,608	713,903
Cash flows from financing activities			
Proceeds from issuance of redeemable units	6	1,241,205	418,523
Payments for redemption of redeemable units	6	(3,549,919)	(1,056,481)
Net cash used in financing activities		(2,308,714)	(637,958)
Net (decrease) increase in deposit in bank		(74,106)	75,945
Deposit in bank			
At January 1		144,158	68,213
At December 31	2	70,052	144,158

The notes on pages 1 to 12 are an integral part of these financial statements.

BPI Global Health Care Feeder Fund

Notes to the Financial Statements

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

[All amounts are shown in United States Dollar (USD), unless otherwise stated]

1 General information

BPI Global Health Care Feeder Fund (“Fund”) is a foreign currency-denominated equity index Unit Investment Trust Fund (UITF) operating as a Feeder Fund 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 October 21, 2020. It has been operating as a UITF since February 1, 2021.

It aims to provide excess return over the MSCI World Health Care Index.

Pursuant to the existing BSP rules and regulations, as a Feeder Fund, the Fund is mandated to invest at least 90% of its assets in a single collective investment scheme. The underlying collective investment scheme is referred to as the Target Fund. Wellington Global Health Care Equity (Target Fund) is regulated by the Central Bank of Ireland. It invests in shares and other securities with equity characteristics such as preferred stocks, convertible securities or depository receipts. The Target Fund may invest either directly or via derivatives. Up to 20% of the net assets of the Target Fund may be invested in emerging markets.

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.

On July 19, 2023, the Board of Directors (BOD) 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 Global Health Care Feeder Fund to BPI Global Health Care Feeder Fund. The change was noted by the BSP on August 3, 2023 and was effective August 24, 2023.

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

Approval of the financial statements

These financial statements 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 Deposit in bank

The account consists of regular non-interest bearing savings deposit amounting to USD70,052 as at December 31, 2024 (2023 - USD144,158).

For the year ended December 31, 2024, the Fund earned interest income of USD4,459 (2023 - USD30), of which USD19 remains collectible as at December 31, 2024 (2023 - USD25) (Note 4).

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

The account consists of investments in Wellington Global Health Care Equity. The performance of the Feeder Fund is directly affected by the performance of the Target Fund.

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

	2024	2023
At January 1	6,337,487	6,765,124
Additions	560,075	-
Disposals	(2,746,265)	(850,258)
Fair value adjustment, net	(39,147)	422,621
At December 31	4,112,150	6,337,487

Payments on acquisition of securities in 2024 amount to USD560,075 (2023 - nil).

For the year ended December 31, 2024, proceeds from disposals of financial assets at FVTPL amount to USD2,870,000 (2023 - USD780,000). Realized gain resulting from the sale of financial assets at FVTPL amounts to USD123,735 for the year ended December 31, 2024 (2023 - loss of USD70,258).

4 Receivables

The account at December 31, 2024 consists of:

	Note	2024	2023
Interest receivable	2	19	25
Capital shares receivable		5	-
		24	25

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

5 Accounts payable and accrued expenses

The account at December 31 consists of:

	Note	2024	2023
Capital shares redeemed payable		10,229	44,202
Trust fees payable	8	5,467	5,293
Accrued professional fee		150	243
		15,846	49,738

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

6 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 USD4,166,360 (2023 - USD6,431,921) increased by adjustment on accrual of professional fees amounting to USD20 (2023 - USD11). This adjustment is due to timing differences only and does not materially affect the reported trading NAV of the Fund.

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

	2024	2023
Trading NAV	4,166,360	6,431,921
Outstanding units	47,372	70,262
Trading NAV per unit	87.95	91.54

Proceeds from issuance of and payments for redemptions of units for the year ended December 31, 2024 amount to USD1,241,205 and USD3,549,919 (2023 - USD418,523 and USD1,056,481), respectively.

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

	2024	2023
At January 1	70,262	77,906
Issuances	12,857	4,817
Redemptions	(35,747)	(12,461)
At December 31	47,372	70,262

7 Other expenses

The account for the years ended December 31 consists of:

	2024	2023
Taxes and licenses	258	300
Professional fees	184	277
Other	523	607
	965	1,184

Other pertains to index licensing fee and miscellaneous expense in 2024. In 2023, others pertain only to index licensing fee.

8 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% 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 USD78,229 (2023 - USD64,377), of which USD5,467 (2023 - USD5,293) remains unpaid and recorded under accounts payable and accrued expenses in the statement of financial position (Note 5).

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.

9 Financial risk and capital management

9.1 Risk management process

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

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

The Fund, operating as a Feeder Fund, aims to achieve for its participants investment returns that track the total return of the MSCI World Health Care Index. Pursuant to the existing BSP rules and regulations, as a Feeder Fund, this Fund is mandated to invest at least 90% of its assets in a single collective investment scheme.

9.2 Market risk

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

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

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

Pursuant to the existing BSP rules and regulations, as a Feeder Fund, the Fund is mandated to invest at least 90% of its assets in a single Target Fund. The Target Fund is selected based on the Fund's investment objective following the Trustee's established investment process.

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

To estimate its exposure to price risk, the Trustee evaluates the impact of changes in the MSCI World Health Care Index on the Fund's net income on financial assets at FVTPL for the years ended December 31:

	2024	2023
MSCI World Health Care Index	9.91%	10.86%
Increase/decrease on net income on financial assets at FVTPL	407,573	688,216

The sensitivity analysis takes into account the annualized volatility of the MSCI World Health Care Index during the year. Annualized volatility determines how much the return of the Fund will deviate from normal returns because of the movement in the MSCI World Health Care Index.

9.3 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 deposit in bank 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.

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
Deposit in bank	70,052	144,158
Financial assets at FVTPL	4,112,150	6,337,487
Receivables	24	25
	4,182,226	6,481,670

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) *Deposit in bank*

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

(b) *Financial assets at FVTPL*

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

(c) *Receivables*

The Fund's receivables pertain to interest receivable, which arises from interest earned on bank deposits but not yet collected as at year end, and capital shares receivable which arises from issuance of shares.

The receivables balance as at December 31, 2024 is considered to be fully collectible.

9.4 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund. The Fund is exposed to daily cash redemptions of redeemable units. It therefore invests the majority of its assets in investments that are regularly traded in an active market and can be readily disposed of. The Fund's investment portfolio consists mainly of a liquid Target Fund and deposit instruments.

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

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

The Fund's financial liabilities pertain to capital shares redeemed payable, trust fees payable, and accrued professional fee, 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.

9.5 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.

9.6 Fair value of financial instruments

The Fund's financial assets at FVTPL amounting to USD4,112,150 are classified under Level 1 as at December 31, 2024 (2023 - USD6,337,487). There are no financial instruments at fair value which are classified under Level 2 and Level 3.

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

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

10 Summary of material accounting policies

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

10.1 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, and
- 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 Standards Council (FSRSC) and the Board of Accountancy, and adopted by the SEC.

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

10.2 Financial instruments

10.2.1 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 9.3 and 10.2.2.2.

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.

10.2.2 Financial assets

10.2.2.1 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 instruments are described below:

Debt instruments

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

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

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

- *Amortized cost*

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

Amortized cost financial assets include deposits held at call with a bank 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.

As at December 31, 2024 and 2023, the Fund's investments in the Target Fund is mandatorily classified at FVTPL as disclosed in Note 3.

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

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

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

10.2.2.2 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 deposit in bank, 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.

10.2.3 Financial liabilities

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

10.2.4 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).

10.3 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 Fund has no financial assets and liabilities carried at fair value other than its investments in the Target Fund classified as financial assets at FVPTL (Notes 3 and 9.6).

10.4 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.

10.5 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 redeemable units. Each unit has the following features which allow it to be classified as an equity:

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

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

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

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

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

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

10.6 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 all realized and unrealized fair value changes.

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 deposit in bank.

Trust fees and other expenses

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

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

10.8 Functional and presentation currency

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

10.9 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.