

# FINAL PROSPECTUS

## ALFM Money Market Fund

19/F, BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City 1209  
Tel No. (02) 580-3566 / 580-3569

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

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

	<b>ALFM MONEY MARKET FUND</b>
<b>Number of Authorized Shares</b>	158,000,000 (Additional 50,000,000 shares from previous Authorized Capital Stock of 108,000,000 shares)
<b>Minimum Initial Investment</b>	PHP 5,000.00
<b>PAR value</b>	PHP 10.00

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

**BPI Investment Management, Inc.**  
**Fund Manager**

19/F, BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City  
Tel No. (02) 580-3566 / 580-3569

**BPI Investment Management, Inc.**, Tel. Nos. (02) 580-3566 / 580-3569

**BPI Capital Corporation**, Tel. Nos. (02) 845-5695 to 97

**COL Financial Group, Inc.**, Tel. No. (02) 636-5411

**First Metro Securities Brokerage Corporation**, Tel. No. (02) 859-0600

**Wealth Securities, Inc.**, Tel. No. 634-5038

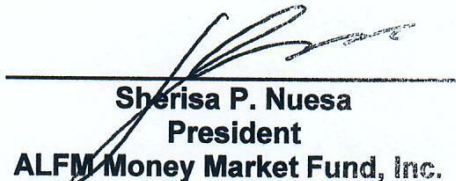
**Unicapital Securities, Inc.**, Tel. No. 892-0991

**Distributors**

**\*The date of this PROSPECTUS is April 03, 2019.\***

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

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL  
INFORMATION CONTAINED HEREIN IS TRUE AND CURRENT.

  
Sherisa P. Nuesa  
President  
ALFM Money Market Fund, Inc.

**MAKATI CITY**

SUBSCRIBED AND SWORN TO before me this APR 26 2019 day of 20  
Affiant, Ms. Sherisa P. Nuesa, exhibiting to me her Tax Identification No. 132-  
204-906.

**NOTARY PUBLIC**

  
**ATTY. VIRGILIO R. BATALLA**

NOTARY PUBLIC FOR MAKATI CITY

APPT. NO. M-37- UN TIL DEC. 31, 2020

ROLL OF ATTY. NO. 48348

MCLE COMPLIANCE NO. V-0026676/4-11-2018

IBP O.R No. 706762-LIFETIME MEMBER JAN. 29, 2007

PTR No. 7333020- JAN 03, 2019- MAKATI CITY

EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER ST  
MAKATI CITY

Doc. No. 165  
Page No. 34  
Book No. 36  
Series of 2019

**ALFM MONEY MARKET FUND, INC.**

<b>SUMMARY OF FEES TO BE DEDUCTED FROM THE FUND</b>	
<b>Total Management Fee based on the average daily trading NAV of the Fund</b>	<b>0.50% p.a.</b>
Management Fee	0.225% p.a.
Distribution Fee	0.225% p.a.
Transfer Agent Fee	0.050% p.a.
Sub-distribution Fee based on the outstanding daily balance of the Fund's shares distributed	0.25% p.a. *
<b>Safekeeping Fees based on face/nominal value of the securities at month end for fixed income securities and based on the market value of the portfolio at month end for local equities</b>	
Scripless Securities / Book Entry	
Asset Size: USD 0 – USD 250 Mn	1.50 bps p.a.
Above USD 250 Mn to USD 750 Mn	1.25 bps p.a.
Above USD 750 Mn	1.00 bps p.a.
Physical Securities	PhP 10,000 per month
<b>2017 External Audit Fee</b>	PhP 77,295.68

\* shall be taken from the 0.50% p.a. total management fee

<b>OTHER FEES</b>	
<b>Maximum Sales Load, if any, to be collected from the subscribers, based on each amount invested by an applicant or Shareholder</b>	3.0%
<b>Early Redemption Fee based on the amount redeemed</b>	
7 days or less	1.00% flat
more than 7 days	none

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## THE OFFER

### ALFM Money Market Fund

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

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

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

This is an Offer of up to 158,000,000 shares (50,000,000 of which are an increase from the previous authorized capital stock of 108,000,000 shares) of common stock of par value Php10.00 each (the “Offer Shares”) in the capital stock of ALFM Money Market Fund, Inc. (“ALFM Money Market” or the “Fund”) at the Fund’s prevailing Net Asset Value (“NAV”) per share, plus any applicable sales load, on the date of sale of the shares. The Fund may terminate the Offer at any time or when the number of shares subscribed and paid for has reached 158,000,000 shares.

The Fund was incorporated on October 19, 2009, with an authorized capitalization of Php20.0 Million (2,000,000 shares with par value of Php10.00 each). The Fund’s capitalization as approved by the Commission on November 18, 2010 was increased to Php50.0 Million consisting of 5,000,000 shares with par value of Php10.00 each. On November 17, 2011, the Authorized Capital was increased to Php100.0 Million divided into 10,000,000 shares with the par value of Php10.00. The Commission approved of further increasing its authorized capital stock to Php200.0 Million divided into 20,000,000 shares with a par value of Php10.00 on November 12, 2012. A further increase to Php400.0 Million divided into 40,000,000 shares with a par value of Php10.00 was approved on June 24, 2014. The Commission approved of further increasing its authorized capital stock to Php570.0 Million divided into 57,000,000 shares with a par value of Php10.00 on June 23, 2015. A further increase to Php1.08 Billion divided into 108,000,000 shares with a par value of Php10.00 was approved on October 10, 2017. Most recently, a further increase to Php1.58 Billion divided into 158,000,000 shares with a par value of Php10.00 was approved on October 2, 2018.

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

The investment objective of the Fund is to seek capital preservation and stable income.

#### USE OF PROCEEDS

The total proceeds from the sale of the additional 50,000,000 shares is estimated at Php6.11 Billion (using Php122.26 NAVPS as of April 03, 2019), which shall be used to purchase securities in accordance with the investment objective, policies, and limitations of the Fund such as short-term bonds and money market instruments (*see section of Investment Objective*). The Fund’s main business is to invest the proceeds in short-term bonds and money market instruments in line with the Fund’s investment objectives.

The Fund has entered into a Management and Distribution Contract with BPI Investment Management, Inc. authorizing BPI Investment to purchase and sell investment securities for the

account of the Fund. Services include the investment and re-investment of the cash and other assets and the purchase and sale of securities which will form part of the investment portfolio of the Fund, in accordance with the investment policies or guidelines which the Board of Directors of the Fund may from time to time prescribe and in conformity with the Fund's Articles of Incorporation and By-Laws as may be amended from time to time, the Investment Company Act, and other applicable laws and regulations.

The Custodian Bank shall hold the relevant securities of the Fund including subscription payments or proceeds from the sale of this security, until they can be reinvested in marketable securities consistent with the Fund's objectives. No other funds outside the proceeds of this offer is to be used to discharge debt, acquire assets or finance the acquisition of other business, or to reimburse any officer, director, employee or shareholder for services rendered, assets previously transferred, money loaned or advanced. Total expenses paid out or projected to be paid out of the gross proceeds are the following: PhP30.57 Million for management, distribution, advisory and transfer agent fees /other professional fees and filing fee & business registration license of PhP5.39 Million.

## **THE OFFER SHARES**

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

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

## **REDEMPTIONS**

The Fund is ready to redeem, at the applicable Net Asset Value per Share, all or any part of the Shares standing in the name of a Shareholder in the Fund. Unless redeemed earlier than the minimum holding period of 7 days, when an early redemption fee of 1% will apply, there is no redemption fee.

## **TOTAL EXPENSES OF THE FUND**

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

## **RESTRICTIONS ON THE USE OF PROCEEDS**

No other funds outside the proceeds of this Offer shall be needed to accomplish the Fund's investment objectives. There is no material amount of the proceeds of these Offers that is to be used to discharge any debt, acquire assets or finance the acquisition of other businesses, or to reimburse any director, shareholder, officer, or employee of the Fund for services rendered, assets previously transferred, or money loaned or advanced.

## **VALUATION**

The Fund's investments are valued pursuant to Philippine Accounting Standards ("PAS") No. 32 and Philippine Financial Reporting Standards ("PFRS") No. 9 and other amendments to the said standards. Under PFRS No. 9 which became effective on January 1, 2018, the Fund's financial assets are classified under (i) fair value through profit or loss, (ii) fair value through other comprehensive income, or (iii) hold-to-collect securities. The NAVPS of the Fund may fluctuate (i.e. go up or go down) due to changes in the market values of the Fund's investments. Such changes in

market values may also be attributable to various factors. See “Risk Factors and Risk Monitoring and Management”.

## OFFERING PRICE

The offering price of the shares is the Fund’s prevailing NAV per share computed as of end-of-day on the date of purchase of the shares, plus applicable sales load, to a maximum of 3%.

## DIVIDEND POLICY

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

## FUND MANAGER, PRINCIPAL DISTRIBUTOR, INVESTMENT ADVISOR AND TRANSFER AGENT

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

<b>Name of Fund</b>	<b>Management Fee</b>	<b>Distribution Fee</b>	<b>Transfer Agent Fee</b>
ALFM Money Market Fund	0.225% p.a.	0.225% p.a.	0.050% p.a.

## DISTRIBUTORS

The Fund’s Shares shall be made available to the public primarily through the Fund’s authorized distributors, BPI Capital Corporation, BPI Investment Management, Inc., COL Financial Group, Inc., First Metro Securities Brokerage Corporation, Wealth Securities, Inc., and Unicapital Securities, Inc. as well as other authorized and accredited distribution firms. The foregoing companies were licensed by the Securities and Exchange Commission to distribute mutual fund securities to the public. The distribution fee payable to the distributors shall be based on the outstanding daily balance of the Fund’s shares distributed, as follows, and shall be taken from the 0.50% p.a. total management fee.

<b>Sub-Distributor</b>	<b>Distribution Fee</b>
BPI Capital Corporation	0.25% p.a.
COL Financial Group, Inc.	0.25% p.a.
First Metro Securities Brokerage Corporation	0.25% p.a.
Wealth Securities, Inc.	0.25% p.a.
Unicapital Securities, Inc.	0.25% p.a.

With the recent issuance of BSP Circular 844 (Cross-selling of Collective Investment Schemes and Other Amendments to Circular No. 801 on Revised Cross-selling Framework) on August 11, 2014, specifically trained and qualified bank employees are allowed to market/sell mutual funds under a cross-selling arrangement. ALFM Money Market may also enter into such cross-selling arrangements with select banking institutions. This is subject to the requirement that such bank employees shall be required to secure the necessary license from SEC to be qualified to market/sell mutual funds to the public.

## SALES LOADS

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

Name of Fund	Amount Invested	Maximum Sales Load
ALFM Money Market Fund	Any amount	3.0%

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

## CUSTODIAN BANK

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

### *Scripless Securities / Book Entry*

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

*Physical Securities* PhP 10,000 per month

Minimum Monthly Relationship Fee of USD 1,000 per month

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

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

## RECEIVING BANKS

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

## INDEPENDENT AUDITOR

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

## INFORMATION SUPPLIED BY THE FUND

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



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

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

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

## SUMMARY OF FINANCIAL INFORMATION

The following information was lifted from the Interim Financial Statements of the Fund for the period ended September 30, 2018 and Audited Financial Statements for the years ending December 31, 2017 and December 31, 2016. The latest financial reports audited by the Fund's external auditor, Isla Lipana & Co., as of December 31, 2017, appear at the end of this Prospectus. The information set out below should be read in conjunction with the financial statements and related notes that are found in this Prospectus, starting on page 55.

### **ALFM MONEY MARKET FUND**

<b>As of September 30, 2018 (Interim)</b>			
<b>Balance Sheet</b>		<b>Income Statement</b>	
<b>Total Assets</b>	PHP 13,276,967,008	<b>Revenues</b>	PhP 239,880,121
<b>Total Liabilities</b>	281,932,940	<b>Expenses</b>	52,589,213
<b>Total Equity</b>	12,995,034,068	<b>Net Income</b>	PhP 187,290,908

*Net Asset Value per Share as of September 30, 2018: PhP 119.80*

<b>As of December 31, 2017 (Audited)</b>			
<b>Balance Sheet</b>		<b>Income Statement</b>	
<b>Total Assets</b>	PhP 8,534,436,165	<b>Revenues</b>	168,022,529
<b>Total Liabilities</b>	3,724,299	<b>Expenses</b>	40,896,584
		<b>Income Before Income Tax</b>	127,125,945
		<b>Income Tax Expense</b>	26,618,807
<b>Total Equity</b>	8,530,711,866	<b>Net Income</b>	100,507,138

*Net Asset Value per Share as of December 31, 2017: PhP 117.61*

<b>As of December 31, 2016 (Audited)</b>			
<b>Balance Sheet</b>		<b>Income Statement</b>	
<b>Total Assets</b>	PhP 2,295,994,309	<b>Revenues</b>	51,219,837
<b>Total Liabilities</b>	948,403	<b>Expenses</b>	17,144,011
		<b>Income Before Income Tax</b>	34,075,826
		<b>Income Tax Expense</b>	9,198,689
<b>Total Equity</b>	2,295,045,906	<b>Net Income</b>	24,877,137

*Net Asset Value per Share as of December 31, 2016: PhP 115.61*

## **RISK DISCLOSURE STATEMENT**

### **GENERAL RISK WARNING**

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

### **PRUDENCE REQUIRED**

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

### **PROFESSIONAL ADVICE**

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

## **RISK FACTORS AND RISK MONITORING AND MANAGEMENT**

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

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

1) Market Risk

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

2) Interest Rate Risk

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

3) Liquidity Risk

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

4) Credit Risk

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

5) Inflation Risk

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

6) Reinvestment Risk

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

7) Foreign Exchange Risk

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

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

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

## PRINCIPAL PARTIES TO THE OFFER

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

## DEFINITION OF TERMS

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

Fund Manager	BPI Investment Management, Inc.				
Investment Advisor	BPI Investment Management, Inc.				
Investment Company Act	The Investment Company Act of 1960 (Republic Act No. 2629)				
Mn	Million				
Minimum Holding Period	The period during which a 1.0% early redemption fee is charged for redemptions made, as follows:				
	<table> <tr> <th>Name of Fund</th><th>Minimum Holding Period</th></tr> <tr> <td>ALFM Money Market Fund</td><td>7 days</td></tr> </table>	Name of Fund	Minimum Holding Period	ALFM Money Market Fund	7 days
Name of Fund	Minimum Holding Period				
ALFM Money Market Fund	7 days				
NAV	Net Asset Value, defined as the value of the assets of the Fund, less the value of the liabilities.				
NAV per Share	NAV divided by the total number of Shares outstanding				
Offer	The Offer to the public for subscription to the maximum number of unclassified and voting common shares of the Fund at the Offer Price, as follows:				
	<table> <tr> <th>Name of Fund</th><th>Maximum Number of Shares</th></tr> <tr> <td>ALFM Money Market Fund</td><td>158,000,000</td></tr> </table>	Name of Fund	Maximum Number of Shares	ALFM Money Market Fund	158,000,000
Name of Fund	Maximum Number of Shares				
ALFM Money Market Fund	158,000,000				
Offer Price	The Fund's prevailing NAV per Share computed as of end-of-day on the date of purchase of the Shares, plus the applicable sales load, to a maximum of 3%				
Offer Shares	The unclassified and voting common shares of the Fund				
	<table> <tr> <th>Name of Fund</th><th>Maximum Number of Shares</th></tr> <tr> <td>ALFM Money Market Fund</td><td>158,000,000</td></tr> </table>	Name of Fund	Maximum Number of Shares	ALFM Money Market Fund	158,000,000
Name of Fund	Maximum Number of Shares				
ALFM Money Market Fund	158,000,000				
Par Value	The par value of the Shares, as shown below:				
	<table> <tr> <th>Name of Fund</th><th>Par Value (in PhP)</th></tr> <tr> <td>ALFM Money Market Fund</td><td>10.00</td></tr> </table>	Name of Fund	Par Value (in PhP)	ALFM Money Market Fund	10.00
Name of Fund	Par Value (in PhP)				
ALFM Money Market Fund	10.00				
PAS	Philippine Accounting Standards				
PDEx	Philippine Dealing and Exchange Corporation				
Peso or PhP	Philippine Peso, the lawful currency of the Republic of the Philippines				
PIFA	Philippine Investment Funds Association				
Redemption Price	The Fund's prevailing NAV per Share computed as of end-of-day on the date of sale of the Shares, less the applicable Early Redemption Fee, if any				
Registration Statement	The registration statement filed by the Fund with the SEC in compliance with the Securities Regulation Code and the Investment Company Act				



Regular Subscription Plan (RSP)	The automated periodic purchase (i.e., monthly or quarterly) of the Funds' shares in a pre-determined fixed amount
Sales Load	The sales commission, to a percentage not exceeding 3%, if any, collected from the subscribers of the Shares and paid to the Distributors or their Certified Investment Solicitor (CISol)
SEC	The Securities and Exchange Commission of the Philippines
Securities Regulation Code	Republic Act No. 8799
Service Administrator	BPI Investment Management, Inc.
Servicing Agent	A Certified Investment Solicitor (CISol) of the Fund with whom a Shareholder shall transact purchases and redemptions of the Shares
Settlement Account	A BPI or BFSB current or savings account required to be opened and maintained by each person or entity transacting the Shares against which all payments for Shares purchased shall be debited and into which all proceeds of Shares sold shall be credited
Shareholder	An owner of shares in the ALFM Money Market Fund
Shares	The unclassified and voting common stock of the ALFM Money Market Fund, issued out of the Fund's authorized capital stock or, when the context requires, the Fund's outstanding capital stock including the Offer Shares
Transaction Advice	The evidence of ownership of a Shareholder's holdings in the Fund
Valuation Day	A trading day when the Fund is made available for buying or selling and on which date the Fund Manager shall determine the NAV of the Fund

## TERMS AND CONDITIONS OF THE OFFER

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

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

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

Name of Fund	Authorized Capital Stock
ALFM Money Market Fund	158,000,000

**The Offer Price** The Shares shall be offered at an Offer Price based on the Fund's NAV per Share computed by the of end-of-day of each valuation date, plus the applicable Sales Load (to a maximum percentage of 3%). Shares applied for after the Cut-off Time shall be offered at an Offer Price based on the NAV per Share calculated as of the next valuation day.

**Cut-off Time** 1:30 p.m. of a valuation day

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

Name of Fund	Minimum Initial Subscription Amount	Minimum Additional Subscription
ALFM Money Market Fund	PhP 5,000.00	PhP 1,000.00

**Minimum Maintaining Balance** At any time, Shareholders should have holdings in the Fund worth at least:

Name of Fund	Minimum Maintaining Balance
ALFM Money Market Fund	PhP 5,000.00

**Minimum Partial Redemption**

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

<b>Name of Fund</b>	<b>Minimum Partial Redemption</b>
ALFM Money Market Fund	PhP 1,000.00

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

**Payment for the Shares**

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

**Registration of Investments**

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

## COMPANY BACKGROUND

The ALFM Money Market Fund, Inc. (“ALFM Money Market” or the “Fund”) is a domestic corporation duly authorized to operate as an open-end investment company. The Fund was incorporated on October 19, 2009 with an authorized capitalization of PhP 20.0 Million consisting of 2,000,000 common shares of par value PhP10.00 per share. The Fund is invested in a diversified portfolio of short-term corporate bonds and government securities, money market instruments and money market funds. The following table provides information on the history of the Fund’s authorized capital stock increases:

<b>Increase No.</b>	<b>Authorized Capital Stock</b>	<b>Date of SEC Approval</b>
1	5,000,000 shares	November 18, 2010
2	10,000,000 shares	November 17, 2011
3	20,000,000 shares	November 12, 2012
4	40,000,000 shares	June 24, 2014
5	57,000,000 shares	June 23, 2015
6	108,000,000 shares	October 10, 2017
7	158,000,000 shares	October 2, 2018

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

ALFM Money Market is categorized as a money market fund. There are currently seventy (70) investment companies in the Philippines, of which four (4) are Peso-denominated money market funds. ALFM Money Market competes directly with the other Peso-denominated money market funds currently available in the market (i.e. Sun Life Prosperity Money Market Fund, Inc., Philam Managed Income Fund, Inc., and First Metro Save and Learn Money Market Fund, Inc.) With about PhP14.01 Billion in Net Asset Value as of March 31, 2019, ALFM Money Market ranked second in the Peso-denominated Money Market Mutual Fund industry in the country, accounting for 48% of the segment.

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

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

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

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

## REGULATORY ENVIRONMENT

Investment companies are regulated by the Securities and Exchange Commission and are registered under the Investment Company Act of 1960 and the Securities Regulation Code (“SRC”) of 2000.

Prior to the SRC, investment companies were registered under the Revised Securities Act. Any amendments to these or their implementing rules and other applicable laws may have effects on the operations of investment companies. Moving forward, market and regulatory developments such as the proposed Collective Investment Schemes Law and the Asian Region Fund Passporting, will further drive and shape the mutual fund landscape.

#### **LEGAL PROCEEDINGS**

The Fund, the Fund Manager, and their Directors and Officers, have not been involved in any material legal proceeding since the Fund's incorporation.

#### **ANNUAL MEETING OF THE SHAREHOLDERS**

The annual meeting of the shareholders shall be held every last Friday of May or such other date determined by the Board of the Directors of the Fund.

## DESCRIPTION OF CAPITAL STOCK

### I. Capital Structure

The ALFM Money Market Fund's authorized capital stock is shown in the table below:

Name of Fund	Number of Authorized Shares	Par Value (in PhP)	Authorized Capital Stock (in PhP)
ALFM Money Market Fund	158,000,000	10.00	1,580,000,000

The Fund shall offer to the public common shares to be priced at the Net Asset Value per Share, determined at end-of-day of each valuation date, plus any applicable sales load.

### II. Rights and Privileges

#### A. Voting Rights

The Fund shall issue only one (1) class of common shares. The Shares have identical rights and privileges, including voting rights. Each Share entitles the holder thereof to one vote at any meeting of Shareholders of the Fund. Shareholders shall have cumulative voting rights for the election of the Fund's directors.

#### B. Preemptive Rights

The Corporation Code confers preemptive rights to shareholders of a Philippine corporation and entitles them to subscribe to all issues or other dispositions of shares by the corporation in proportion to their respective shareholdings, regardless of whether the shares proposed to be issued or otherwise disposed of are identical in all respects to the shares held. However, a Philippine corporation may provide for the exclusion of these preemptive rights in its Articles of Incorporation and By-Laws.

The Fund's Articles of Incorporation deny preemptive rights to the Shareholders. Therefore, Shareholders of the Fund **do not have** the preemptive right to subscribe to any new issue of shares nor the right to purchase any disposition by the Fund of any of its treasury shares. Furthermore, no Shareholder shall have a preemptive nor other right to purchase, subscribe for, or take any part of any stock or any other securities convertible into, or carrying options or warrants to purchase, shares of the Fund. Any part of such stock or other securities may at any time be issued, optioned for sale, and sold or disposed of by the Fund pursuant to the resolution of its Board of Directors, to such persons and upon such terms as may, to such Board, seem proper, without first offering such stock or securities or any part thereof to existing Shareholders.

#### C. Appraisal Right

Under the Corporation Code, Shareholders who dissent from certain corporate actions (including the merger or sale of all or substantially all of the assets of the Fund) may demand payment of the fair market value (net asset value) of their Shares in certain circumstances. The fair value at which the shares of a dissenting shareholder may be sold to the corporation may be agreed upon by the parties. If they cannot reach agreement, it shall be determined by an independent committee. Payment of the shares of a dissenting shareholder may be made only if the corporation has unrestricted retained earnings to purchase the shares.

## **Rights of the Shareholders in case of Dissolution of the Investment Company and the Dissolution Plan**

The Fund may be dissolved by a majority vote of the Board of Directors and by a resolution duly adopted by the affirmative vote of the investors owning at least two-thirds (2/3) of the outstanding capital stock of the Fund. Investors shall continue to possess all existing rights as shareholders of the Fund.

The Fund will liquidate its assets within six (6) months from receipt of the Order revoking the registration statement of the Fund. During such time, the Fund will no longer accept additional subscriptions and will only allow redemptions of shares based on the prevailing NAVPS. The daily NAVPS of the Fund will continuously be computed and published, as long as practicable.

Other than the foregoing, there are no other material rights for common shareholders of the Fund.

### **III. Dividends**

The Corporation Code generally requires a Philippine corporation with surplus profits in excess of 100% of its paid-up capital to declare and distribute such surplus to its shareholders in the form of dividends. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus when (i) justified by definite expansion plans approved by its Board of Directors; (ii) the required consent of any financing institution or creditor to such distribution is not forthcoming; or (iii) it can be clearly shown that such retention is necessary under special circumstances.

Dividends payable out of the surplus profits of the Fund shall be declared at such time as the Board of Directors shall determine. No dividend shall be declared which shall impair the capital of the Fund. Stock dividends may be declared in accordance with law. The Fund may pay dividends in cash, property or in additional shares, or in some combination of the foregoing. To date, there were no distributions of dividends to stockholders. The Board has no plans of declaring dividends, given the Fund's objective. Surplus profits, if any, will be used to invest in financial securities for the Fund. However, the Board of Directors of the Fund may amend the dividend policy as conditions warrant. In said event, declaration of cash dividends is limited to the declaration made by the Fund's Board of Directors.

### **IV. Other Provisions**

There are also no provisions in the Articles of Incorporation or By-Laws that would delay, deter or prevent a change in control of the Fund.

## **MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDERS' MATTERS**

### **Principal Market**

The Shares of the ALFM Money Market Fund are available for purchase primarily by resident citizens or investors of legal age, or by duly authorized and existing corporations, partnerships or other entities, subject to existing Philippine laws, through Certified Investment Solicitor (CISol) of the Fund's Distributors. Investors who want an alternative to 30-day time deposit and money market placements, and achieve a steady return, for their cash management or liquidity fund requirements, are the primary target market of the Fund. The Shares of the Fund are not traded publicly on an exchange since the Fund stands ready to redeem or buy back the Shares from the Shareholders any time.

Shares of the Fund may be purchased from the Distributors or their Sales Agents at an Offer Price based on the Fund's NAV per Share any time before Cut-Off, plus applicable sales load, if any. Shares applied for after the Cut-off Time shall be considered as applied for on the next valuation day.

Stated below are the NAV per Share of the Fund at the end of each quarter from 2010 to 2019.

<b>ALFM Money Market Fund (PhP)</b>				
	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>
<b>2009</b>	-	-	-	99.66
<b>2010</b>	100.41	100.95	101.82	103.02
<b>2011</b>	103.47	104.50	105.43	106.44
<b>2012</b>	106.97	107.82	108.96	109.65
<b>2013</b>	110.48	111.18	111.58	111.80
<b>2014</b>	112.04	112.23	112.52	112.96
<b>2015</b>	113.37	113.72	114.08	114.31
<b>2016</b>	114.56	115.00	115.35	115.61
<b>2017</b>	116.07	116.55	117.17	117.61
<b>2018</b>	118.16	119.11	119.80	120.88
<b>2019</b>	122.24	-	-	-

Stated below are the High and Low Net Asset Value Per Share (NAVPS) for the indicated quarters:

		<b>2009</b>		<b>2010</b>		<b>2011</b>	
<b>Jan-Mar</b>	<b>high</b>	-	-	03/31/10	100.41	03/28/11	103.52
	<b>low</b>	-	-	01/05/10	99.69	01/25/11	102.75
<b>Apr-Jun</b>	<b>high</b>	-	-	04/01/10	100.41	06/30/11	104.50
	<b>low</b>	-	-	06/30/10	100.95	04/25/11	103.00
<b>Jul-Sep</b>	<b>high</b>	-	-	07/01/10	100.95	09/30/11	105.43
	<b>low</b>	-	-	09/30/10	101.82	07/04/11	104.32
<b>Oct-Dec</b>	<b>high</b>	10/28/09	100.10	12/29/10	103.04	12/29/11	106.42
	<b>low</b>	11/26/09	99.09	10/1/10	101.83	10/07/11	105.34

		<b>2012</b>		<b>2013</b>		<b>2014</b>		<b>2015</b>		<b>2016</b>	
<b>Jan-Mar</b>	<b>high</b>	3/31/12	106.97	3/18/13	110.51	3/31/14	112.04	3/30/15	113.37	3/29/16	114.68
	<b>low</b>	1/5/12	106.45	1/1/13	109.66	1/1/14	111.80	1/5/15	112.98	1/4/16	114.17
<b>Apr-Jun</b>	<b>high</b>	6/29/12	107.82	6/30/13	111.18	6/9/14	112.25	6/30/15	113.72	6/28/16-	115.00
	<b>low</b>	4/1/12	106.97	4/1/13	110.47	4/2/14	112.04	4/1/15	113.37	4/1/16	114.56
<b>Jul-Sep</b>	<b>high</b>	9/30/12	108.96	9/30/13	111.58	9/29/14	112.52	9/28/15	114.08	9/30/16	115.35
	<b>low</b>	7/11/12	107.77	7/1/13	111.20	7/3/14	112.23	7/1/15	113.72	7/1/16	115.00
<b>Oct-Dec</b>	<b>high</b>	12/25/12	109.77	12/30/13	111.80	12/31/14	112.96	12/22/15	114.31	12/27/16 to 12/29/16	115.60
	<b>low</b>	10/9/12	108.83	10/1/13	111.58	10/2/14	112.53	10/13/15 and 10/14/15	114.08	10/3/16	115.32

		<b>2017</b>		<b>2018</b>		<b>2019</b>	
<b>Jan-Mar</b>	<b>high</b>	3/30/17 and 3/31/17	116.07	3/28/18	118.14	03/29/19	122.21
	<b>low</b>	1/3/17	115.63	1/8/18	117.61	01/02/19	120.90
<b>Apr-Jun</b>	<b>high</b>	6/28/17	116.59	6/29/18	119.10	-	-
	<b>low</b>	4/3/17	116.07	4/2/18	118.14	-	-



<b>Jul-Sep</b>	<b>high</b>	9/27/17 to 9/29/17	117.17	9/25/18	119.81	-	-
	<b>low</b>	7/5/17 and 7/6/17	116.58	7/02/18	119.12	-	-
<b>Oct-Dec</b>	<b>high</b>	12/29/17	117.60	12/28/18	120.84	-	-
	<b>low</b>	10/4/17	117.12	10/01/18 and 10/03/18	119.82	-	-

### Number of Shareholders

The table below shows the Fund's total number of shareholders as of March 31, 2019:

<b>Name of Fund</b>	<b>Number of Shareholders</b>
ALFM Money Market Fund	13,594

### Share Options and Treasury Shares

None of the Shares of the Fund are covered by options.

### Issue of Shares

The Fund may issue additional Shares to any person, subject to the restrictions as may be stated in their Articles of Incorporation and/or By-Laws, and for a consideration based on Net Asset Value per Share.

### Stock Certificates

In the interest of economy and convenience, the Fund shall not issue stock certificates. In lieu of stock certificates, the Fund shall issue Transaction Advice to evidence transactions of Shareholders. These are sent to the Shareholder's mailing address on settlement date of each and every transaction, except in the case when the Shareholder has specifically requested not to be sent the printed Transaction Advice, in lieu of their online reports access.

### Share Register

The Fund's official share register shall be maintained by the Corporate Secretary, through the Fund's Service Administrator, who shall be principally responsible for the maintenance of the official stock and transfer book of the Funds.

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

Not applicable. The shares of the Fund are registered under the Investment Company Act (ICA) and the Securities Regulation Code (SRC).

## DIRECTORS, OFFICERS, AND SIGNIFICANT SHAREHOLDERS

The following, who are all Filipino citizens, are the Fund's Directors and Officers as of the date of this Prospectus:

### **1. Romeo L. Bernardo, Chairman / Independent Director**

Mr. Romeo L. Bernardo, Filipino, born in 1954, 64 years old, is the Chairman of the fund since 2009. He is also the Chairman of ALFM Peso Bond Fund, Inc. from 2003 to present, ALFM Growth Fund, Inc. from 2007 to present, ALFM Dollar Bond Fund, Inc. from 2003 to present, ALFM Euro Bond Fund, Inc. from 2005 to present, Philippine Stock Index Fund, Corp. from 2007 to present, and ALFM Global Multi-Asset Income Fund, Inc. from 2018 to present. He is currently the Managing Director of Lazaro Bernardo Tiu & Associates, Inc. and GlobalSource economist in the Philippines. Mr. Bernardo is likewise a director of several companies and organizations including Aboitiz Power, BPI, Globe Telecom Inc., RFM Corporation, Philippine Investment Management, Inc. (PHINMA), BPI-Philam Life Assurance Corporation, National Reinsurance Corporation of the Philippines, Financial Executives Institute of the Philippines (FINEX) Foundation. Mr. Bernardo was an Alternate Executive director of the Asian Development Bank from 1997 to 1998 and Undersecretary for International Finance, Privatization & Treasury Operations of the Department of Finance of the Republic of the Philippines from 1990 to 1996. Mr. Bernardo received a Bachelor of Science degree in Business Economics (magna cum laude) from the University of the Philippines and a Masters in Development Economics degree from Williams College in Williamstown, Massachusetts.

### **2. Simon R. Paterno, Vice Chairperson / Regular Director**

Mr. Simon R. Paterno, Filipino, born in 1959, 60 years old, heads the Financial Products and Alternative Channels Group of the Bank of the Philippine Islands. He is responsible for managing the product businesses of the Bank, including Investment Banking, Corporate Loans, Transaction Banking, Retail Lending, Cards and Payments, Asset Management and Trust, Electronic Channels, and Deposits. He also oversees subsidiaries and affiliates in insurance, leasing, and merchant acquiring. He is a member of the Management Committee of BPI. Mr. Paterno is the former President and CEO of the Development Bank of the Philippines, serving from 2002-2004. He worked for 18 years at the New York, Hong Kong, and Manila offices of J.P. Morgan, serving finally as Managing Director in charge of sovereign clients during the Asian Financial Crisis of 1997-98, and as Country Manager for the Philippines until 2002. He also worked for 8 years at Credit Suisse as Managing Director and Country Manager for the Philippines. Mr. Paterno obtained his MBA from Stanford University in 1984. He was awarded his A.B., cum laude, Honors Program in Economics from Ateneo de Manila University in 1980. In 2005, he was elected President of the Management Association of the Philippines. He serves on the boards of the Foundation for Economic Freedom and Ateneo Scholarship Foundation. He was named a TOYM awardee for Investment Banking in 1999.

### **3. Sherisa P. Nuesa, President / Regular Director**

Sherisa P. Nuesa, Filipino, born in 1954, 64 years old, is a former Managing Director of conglomerate Ayala Corporation until her retirement in 2011. Currently, she is a member of the Boards of Directors/Trustees of: Manila Water Company, the ALFM Mutual Funds, Far Eastern University, Inc., the Generika group of companies, FERN Realty Corp. and East Asia Computer Center. She also serves as a Board Trustee of The Institute of Corporate Directors (ICD), Judicial Reform Initiative and Financial Executives Institute of the Phils (FINEX). She is also a Senior Board Adviser of Metro Retail Stores Group Inc. (MRSGI) and Board Adviser/Consultant of VICSAL Development Corporation. As a Managing Director of Ayala Corp., she served in various senior management positions: 1) Chief Finance Officer and Chief Administrative Officer, Integrated Micro-Electronics, Inc. - IMI (January 2009 to July 2010); 2) Chief Finance Officer, Manila Water Company Inc. - MWC (January 2000 to December 2008); 3) Group Controller and later Vice President for Commercial Centers, Ayala Land, Inc. - ALI (January 1989 to March 1999); and 4) member of the boards of various subsidiaries of ALI, MWC and IMI. Ms. Nuesa attended the Advanced Management Program of the Harvard Business School in the US in June 1999 and completed her Master in Business Administration (MBA) degree from the Ateneo-Regis Graduate School of Business in 2011. She also attended the Financial Management Program of the Stanford University in 1991 and Audit Committee Seminar for Directors

at Harvard Business School in 2016. A Certified Public Accountant, she holds a BS in Commerce degree (Summa cum Laude, 1974) from the Far Eastern University. She is the ING-FINEX CFO of the Year awardee for the year 2008.

#### **4. John Philip S. Orbeta, Independent Director**

Mr. John Philip S. Orbeta, Filipino, born in 1961, 57 years old, is currently the Managing Director, Chief Human Resources Officer and Group Head for Corporate Resources at Ayala Corporation, covering Strategic Human Resources, Information & Communications Technology, AC Synergy, Knowledge Management, and Corporate Support Services. He has served as a member of the Ayala Corporation Management Committee since May 2005 and the Ayala Group Management Committee since April 2009. He is currently the Chairman of Ayala Aviation Corporation, Ayala Group HR Council, Ayala Group Corporate Security Council and Ayala Business Clubs; Chairman and President of HCX Technology Partners, Inc.; and Vice Chairman of Ayala Group Club, Inc. Mr. Orbeta also serves as a Board Director of AG Counselors Corporation, AC Industrial Technology Holdings, Inc., Ayala Foundation Inc., Ayala Healthcare Holdings, Inc., Ayala Retirement Fund Holdings, Inc., ZapFam Inc., BPI Family Bank, Inc., ALFM Growth Fund, Inc., ALFM Peso Bond Fund, Inc., ALFM Dollar Bond Fund, Inc., ALFM Euro Bond Fund, Inc., ALFM Global Multi-Asset Income Fund, Inc. and the Philippine Stock Index Fund Corp. Mr. Orbeta previously served as the President and CEO of Ayala Automotive Holdings Corporation and Automobile Central Enterprise, Inc. (Philippine importer of Volkswagen) and the Chairman and CEO of Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc. and Iconic Dealership, Inc., and Board Director of Honda Cars Cebu, Inc and Isuzu Cebu Inc. Prior to joining Ayala Corporation, he was the Vice President and Global Practice Director of the Human Capital Consulting Group at Watson Wyatt Worldwide (now Willis Towers Watson), overseeing the firm's practices in executive compensation, strategic rewards, data services and organization effectiveness around the world. He was also a member of Watson Wyatt's Board of Directors. He graduated with a degree in A.B. Economics from the Ateneo de Manila University in 1982.

#### **5. Adelbert A. Legasto, Regular Director**

Mr. Adelbert A. Legasto, Filipino, born in 1947, 71 years old, is also a director of ALFM Peso Bond Fund, Inc., ALFM Dollar Bond Fund, Inc., ALFM Euro Bond Fund, Inc., ALFM Growth Fund, Inc., the Philippine Stock Index Fund, Corp., ALFM Global Multi-Asset Income Fund, Inc., and BPI Investment Management, Inc.. He has served as Governor of the Philippine Stock Exchange 1994-96, Governor of the Makati Stock Exchange 1994-97, was an incorporator of the Philippine Central Depository (PCD), and served as President of the Trust Officers Association of the Philippines in 1998-99. He graduated from the Ateneo de Manila University with an A.B. Economics degree and completed his M.B.A. academics at the Ateneo Graduate School of Business. He completed the Pension Funds and Money Management from the Wharton School of the University of Pennsylvania, and Investment Management at the CFA Institute at the Harvard Business School in Boston, Massachusetts.

#### **Other Officers of the Fund**

##### **1. Fernando J. Sison III, Treasurer**

Mr. Fernando J. Sison III, Filipino, born in 1952, 67 years old, is the Treasurer of the Fund since inception in 2009. He used to be the President of BPI Investment Management, Inc. from May 2004 up to June 2012. He previously served as Vice President and head of many of BPI's divisions, including AMTG Retail Trust Division, AMTG Portfolio Management Division, SDG Retail Funds Distribution, and Private Banking Unit. He was assigned to BPI International Finance Ltd. (HK) as Head of Investment Management Division and to BPI Capital Corporation – Corporate Finance Group as Vice President and Head of Syndications and Underwriting. He completed the corporate finance module of JP Morgan in New York and underwent on-the-job training in corporate finance with JP Morgan in Hong Kong. He previously served as President of the Investment Company Association of the Philippines (ICAP) for 3 terms up to 2006 and as Chairman of the Board of the Philippine Investment Funds Association (PIFA), formerly ICAP, for 5 terms up to 2012-2013. He served as Industry Governor of the Market Governance Board of the Philippine Dealing and Exchange Corp. in 2008 and 2011 and as Alternate Governor for 5 terms. He is a SEC-licensed Certified Investment Solicitor from 2001 to 2012. He is currently the Investments Administrator and the Director for

Business Affairs of the Ateneo de Manila University. He is a member of the Retirement Commission and the Investment Committee of the CEAP Retirement Fund. He is also a member of the Board of Senior Advisers of PIFA. Mr. Sison graduated from the Ateneo de Manila University in 1974 with the degree A.B. General Studies (Honorable Mention). He obtained his M.B.A. degree in 1976 from the University of the Philippines (Diliman).

## **2. Atty. Sabino B. Padilla IV, Corporate Secretary and Compliance Officer**

Atty. Sabino B. Padilla IV, born in 1960, 58 years old, is the Corporate Secretary and Compliance Officer of the ALFM Mutual Funds. Atty. Padilla graduated with a degree in Bachelor of Laws from the University of the Philippines in 1985. He then received his Master of Laws from the Harvard University, USA in 1988. He is currently a partner of the Padilla Law Office which is legal counsel to BPI and its subsidiaries and to various religious orders, societies and congregations for men and women as well as educational institutions and hospitals operated by them. He is also the Corporate Secretary and Compliance Officer of other mutual funds such as the Solidaritas Fund and Ekklesia Mutual Fund.

## **3. Atty. Francis Lorenz E. Espiritu, Chief Data Protection Officer and Chief Risk Officer**

Atty. Francis Lorenz E. Espiritu, born in 1987, 32 years old, is the Chief Data Protection Officer and Chief Risk Officer of the Fund. Atty. Espiritu graduated with a Juris Doctor degree from the Ateneo Law School in 2011 and became a member of the Philippine Bar in 2012. He is currently the Risk Management and Compliance Officer of BPI Investment Management, Inc., which is the Fund Manager, Principal Distributor and Investment Advisor of the ALFM Mutual Funds.

### **Significant Employees**

The ALFM Money Market Fund does not have employees of its own. The management, distribution, and administration of the Fund are already being handled by BPI Investment Management, Inc. The Fund does not have a parent company.

### **Additional Information Required under Annex C of SRC Rule 12.1:**

- ☐ The incorporators of the Fund are:

Mr. Romeo L. Bernardo, Mr. Adelbert A. Legasto, Mr. Isagani G. de Castro, Mr. Ramon G. Madrid, and Mr. Emilio S. de Quiros, Jr.

- ☐ Each Director shall serve for a term of one (1) year from his appointment and until his successor has been duly elected and qualified, provided, however, that any Director may be removed from office at any time with or without cause by a 3/4 vote of the subscribed capital stock entitled to vote. Other than this, the Fund has no existing employment contract with any of the Fund's Directors.
- ☐ Mr. Romeo L. Bernardo and Mr. John Philip S. Orbeta are the Independent Directors of the Fund. An independent director is a person not having any relationship or position in the Fund, or in parties related to the Fund, the holding of which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, in compliance with Section 38 of the Securities Regulation Code.

- ☐ Security Ownership of Management, as of March 31, 2019:

<b>Title of Class</b>	<b>Name of Owner</b>	<b>Position</b>	<b>Citizenship</b>	<b>Amount &amp; Nature of Ownership</b>	<b>Percent of Class</b>
Common	Romeo L. Bernardo	Chairman/ Independent Director	Filipino	50 (beneficial)	0.0000%
Common	Sherisa P. Nuesa	Director/President	Filipino	8,458 (record, beneficial)	0.0074%
Common	Adelbert A. Legasto	Director	Filipino	54,447 (record, beneficial)	0.0475%
Common	Simon R. Paterno	Director	Filipino	50 (beneficial)	0.0000%
Common	John Philip S. Orbeta	Independent Director	Filipino	50 (beneficial)	0.0000%
Common	Fernando J. Sison III	Treasurer	Filipino	1,168 (record)	0.0010%
Common	Atty. Sabino Padilla IV	Corp. Secretary/ Compliance Officer	Filipino	0	0.0000%
Common	Atty. Francis Lorenz E. Espiritu	Chief Data Protection Officer/Chief Risk Officer	Filipino	924 (record)	0.0008%

☐ Each Director and Officer is compensated an amount for every Board meeting attended, as shown in the table below:

<b>Director / Officer</b>	<b>Position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Other Salary</b>
Romeo L. Bernardo	Chairman	2010	34,000.00	-	-
		2011	46,750.00	-	-
		2012	29,750.00	-	-
		2013	19,125.00	-	-
		2014	19,125.00	-	-
		2015	19,125.00	-	-
		2016	14,875.00	-	-
		2017	19,125.00	-	-
		2018	20,250.00	-	-
		2019 (estimated)	20,000.00	-	-
Simon R. Paterno	Director (Starting March 2015)	2010	-	-	-
		2011	-	-	-
		2012	-	-	-
		2013	-	-	-
		2014	-	-	-
		2015	-	-	-
		2016	-	-	-
		2017	-	-	-
		2018	-	-	-
		2019 (estimated)	-	-	-
Sherisa P. Nuesa	Director (Starting April 2012)	2010	-	-	-
		2011	-	-	-
		2012	4,250.00	-	-
		2013	21,250.00	-	-
		2014	19,125.00	-	-
		2015	14,875.00	-	-
		2016	14,875.00	-	-
		2017	19,125.00	-	-
		2018	20,250.00	-	-
		2019 (estimated)	20,000.00	-	-
John Philip S. Orbeta	Independent Director (Starting April 2012)	2010	-	-	-
		2011	-	-	-
		2012	4,250.00	-	-
		2013	14,875.00	-	-
		2014	12,750.00	-	-
		2015	17,000.00	-	-
		2016	12,750.00	-	-
		2017	21,250.00	-	-

		2018	17,000.00	-	-
		2019 (estimated)	20,000.00	-	-
Adelbert A. Legasto	Director (Until December 2012)	2010	38,800.00	-	-
		2011	46,750.00	-	-
		2012	29,750.00	-	-
		2013	-	-	-
		2014	-	-	-
	(Starting June 2015)	2015	8,500.00	-	-
		2016	14,875.00	-	-
		2017	19,125.00	-	-
		2018	22,500.00	-	-
		2019 (estimated)	20,000.00	-	-
Atty. Sabino B. Padilla IV	Corporate Secretary and Compliance Officer	2010	34,000.00	-	-
		2011	46,750.00	-	-
		2012	29,750.00	-	-
		2013	23,375.00	-	-
		2014	21,250.00	-	-
		2015	21,250.00	-	-
		2016	17,000.00	-	-
		2017	19,125.00	-	-
		2018	22,500.00	-	-
		2019 (estimated)	20,000.00	-	-
Fernando J. Sison III	Treasurer	2012	8,500.00	-	-
		2013	23,375.00	-	-
		2014	21,250.00	-	-
		2015	6,375.00	-	-
		2016	17,000.00	-	-
		2017	17,000.00	-	-
		2018	22,500.00	-	-
		2019 (estimated)	20,000.00	-	-
Atty. Francis Lorenz E. Espiritu	Chief Data Protection Officer and Chief Risk Officer	2017	-	-	-
		2018	-	-	-
		2019 (estimated)	-	-	-

- ☐ There are no other standard or consulting arrangements or any compensatory plan relating to resignation / retirement by which Directors and Officers are to be compensated other than that previously stated.
- ☐ No current Director of the ALFM Money Market Fund, or employees of the Fund Manager, or Investment Advisor, or any of the Distributors, is related to each other up to the fourth civil degree either by consanguinity or affinity. No Director of the ALFM Money Market Fund has been the subject of any legal or criminal proceedings during the past five (5) years.

### Corporate Governance

The Fund has adopted a Manual of Corporate Governance to institutionalize the principles of good corporate governance in the entire organization. To measure or determine the level of compliance of the Board of Directors and Officers with the Fund's Manual of Corporate Governance, the Fund shall establish a review or evaluation system and shall submit the required Certification with its Manual of Corporate Governance. The company continuously evaluates the level of compliance of the Board of Directors and top level management with its Manual on Corporate Governance through a self-rating and peer evaluation system complemented by 180 degrees feedback mechanism. There has been no deviation from the Fund's Manual of Corporate Governance as of the date of this Prospectus. Other measures being undertaken by the Fund to fully comply with the adopted leading practices in good corporate governance are: (i) strict compliance on the appointment of Independent Directors; (ii) separation of the functions of the Chairman and the President; and (iii) the creation of an Audit Committee chaired by an Independent Director.

## **Anti-Money Laundering, FATCA and Counter-Terrorist Financing Policies**

The Fund has adopted BPI Investment's Money Laundering and Terrorist Financing Prevention Program (MLPP). BPI Investment's MLPP is based on Republic Act No. 9160 or the "Anti-Money Laundering Act of 2011", as amended, and the Securities and Exchange Commission's ("SEC") Memorandum Circular No. 2 Series of 2010 on the Revised Guidelines in the Preparation of the Anti-Money Laundering Operating Manual for SEC Covered Institutions.

Investors of the Fund, including their beneficial owners, are required to undergo Customer Due Diligence (CDD), also known as Know-Your-Customer (KYC) for identity verification. In case of corporate and juridical entities, the legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf, shall also be verified.

Investor transactions may be reported to the Anti-Money Laundering Council (AMLC) if they fall under the parameters provided by law or the MLPP.

The Fund has also adopted BPI Investment's policy on the Foreign Account Tax Compliance Act. Based on the information provided by the investor, BPI Investment will determine the FATCA status of the investor. The name, address, and U.S. TIN of identified U.S. Persons will be reported to the Bureau of Internal Revenue (BIR) or Internal Revenue Service (IRS) of the United States, as the case may be, including all other information required under the relevant FATCA regulations.

## **Procedures to Ensure Compliance with Relevant Laws and Regulation**

To ensure the Fund's compliance with relevant laws and regulation, the Fund has appointed a Compliance Officer while the Fund Manager has its own Compliance Officer. The Compliance Officer is tasked to monitor and assess the overall implementation of the Compliance Program.

The Fund Manager's Compliance Program is designed to: (1) identify relevant laws and regulations affecting the Fund and the corresponding effects of non-compliance; (2) conduct periodic compliance testing and subsequent reporting of findings or exceptions noted to appropriate levels of management; and (3) provide for annual specific action plan or activities aimed at developing and maintaining a strong compliance culture and discipline within the entire organization.

The Compliance Officer, in coordination with management or the Board of Directors, shall take the initiative to update the Compliance Program to ensure compliance with new laws and regulations that are enacted or issued and to formulate new control processes in response to regulatory changes. To this end, the Fund Manager shall develop and maintain a constructive working relationship with various regulatory agencies through continuing dialogues and/or consultations geared towards a uniform understanding of laws and regulations, prompt resolution of issues and concerns.

## **Certain Relationships and Related Transactions**

There were no transactions (or series of similar transactions) with or involving the company in which a director, executive officer, or stockholder owning ten percent (10%) or more of the Fund's total outstanding shares and members of their immediate family had or is to have a direct or indirect material interest.

Notwithstanding the above, Mr. Adelbert A. Legasto is a Director of the Fund and is also a Director of BPI Investment Management Inc. (BIMI). Mr. Simon R. Paterno is also an officer of the Bank of the Philippine Islands. Mr. Romeo L. Bernardo is an Independent Director of the Fund and an Independent Director of the Bank of the Philippine Islands.

Dealings with related parties such as deposit or investment products of BPI are done on an arm's length basis and in accordance with the best execution requirements set in the established internal guidelines.

BPI Investment Management, Inc. (BIMI) was designated as fund manager and investment advisor of the Fund.

As fund manager, BIMl shall formulate and implement the investment strategy, provide and render management, technical, and administrative services, whereby authorizing BIMl to purchase and sell investment securities for the account of the Fund. As investment advisor, it is tasked to render services which include investment research and advice; the preparation of economic, industry, market, corporate, and security analyses; and assistance and recommendations in the formulation of investment guidelines. For its services, the Fund pays BIMl a fee of not more than 0.50% p.a. of the Fund's average daily trading NAV.

The Fund has distribution agreements with subsidiaries of BPI, namely, BIMl and BPI Capital Corporation (BPI Capital). Under the terms of the agreement, BIMl and BPI Capital are appointed as co-distributors to perform principally all related daily functions in connection with the marketing and the growth of the level of assets of the Fund. BPI and its thrift bank subsidiary, BPI Family Savings Bank, Inc., act as the receiving banks for the contributions and withdrawals related to the Fund as transacted by the distributors and shareholders.

### **Voting Trust Holders of More Than 5%**

There is no existing voting trust or similar agreement entered into by Shareholders owning more than 5% of the Shares.

### **Legal Proceedings**

The Fund is not party to any material pending legal proceedings.

### **Involvement in Certain Legal Proceedings**

During the last five (5) years and material to evaluation, none of the Directors or Officers of the Fund were involved in any bankruptcy petition filed by or against any business of which any Director or Officer was a General Partner or Executive Officer either at the time of the bankruptcy or within two (2) years prior to that time; none were convicted by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses; none were subject to any Order, judgment or decree not subsequently reversed, suspended or vacated, of any Court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities, or banking activities; and none were found by a domestic or foreign Court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or a self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended or vacated.

### **Changes in Control**

There is no existing arrangement which is known to the Fund which may result in the change of control in the Fund.

### **External Audit Fees**

#### *Audit and Audit Fees*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Isla Lipana & Co. is the appointed external auditor of the Fund's statements for the year then ending with the objective of expressing an opinion on them. The audit shall be made in accordance with the



Philippine Standards on Auditing and accordingly includes such tests of the accounting records and such other auditing procedures as they would consider necessary. There are no other related services that the external auditor performed aside from the services mentioned above and no other fees billed related to tax services.

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Audit fees paid for the years 2017 and 2016:

	<b>2017</b>	<b>2016</b>
Audit fees	PhP 77,295.68	PhP 79,643.74

#### *Audit Policies*

The Audit Committee approves any engagement for the services of the external auditor. The final draft of the Audited Financial Statement is presented to the Audit Committee, before the Board's final approval and confirmation.

#### **Changes in and Disagreements with Account on Accounting and Financial Disclosure**

Ms. Blesida A. Pestaño was the signing partner for the external auditor from fiscal year 2009 to 2013. For the Fund's Financial Statements as of December 31, 2014, December 31, 2015, December 31, 2016, and December 31, 2017, the signing partner is Mr. John-John Patrick V. Lim. The Fund is compliant with SRC Rule 68, as amended, on the rotation of external auditor or Partner every five (5) years. In taking this action, the members of the Board of Directors considered carefully Isla Lipana & Co.'s performance, its independence with respect to the services to be performed, and its general reputation for adherence to professional auditing standards.

In the recent fiscal year external audit done by Isla Lipana & Co., there were no material disagreements with regard to accounting procedures and financial disclosures.

## PRINCIPAL PARTIES

### **THE FUND MANAGER**

BPI Investment Management, Inc. ("BPI Investment"), a wholly-owned subsidiary of the Bank of the Philippine Islands, is the Fund's Investment Manager. It is tasked to formulate and implement the investment strategy of the Fund, and to provide and render management, technical, and administrative services to the Fund. BPI Investment was incorporated as Ayala Investment Management, Inc. on July 30, 1974 to principally engage in the business of managing an investment company. On March 5, 1991, the SEC approved the change in corporate name to the present name. BPI Investment is licensed by the SEC to act as Investment Company Adviser of mutual funds.

The Fund Manager does not have any existing arrangement with the Fund for the right to designate or nominate the members of the Board of Directors.

BPI Investment is also the Principal Distributor and Service Administrator of the Fund.

The members of the Board of Directors of BPI Investment as of the date of this Prospectus are as follows:

#### **1. Mercedita S. Nollado, Chairman**

Ms. Nollado, Filipino, born in 1941, 78 years old, is the Chairman of BPI Investment Management, Inc. She has also been a member of the Board of Directors of BPI since 1991. She is also the Chairman of the Bank's Retirement & Pension and Trust Committees and a member of the Bank's Executive and Corporate Governance Committees. Ms. Nollado is also a Director of the following BPI subsidiaries and affiliates: BPI Family Savings Bank, Inc. and BPI Capital Corporation. Ms. Nollado serves as Director of the following companies: Ayala Land Commercial REIT, Inc., Michigan Holdings, Inc., Anvaya Cove Beach and Nature Club, Inc., Ayala Automotive Holdings Corporation, Honda Cars Cebu, Inc., Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc., Isuzu Cebu, Inc., Prime Initiatives, Inc., and Xurpas, Inc. She is also a member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc. as well as Vice-President of Sonoma Properties, Inc. She used to be a member of the Board of Directors of Ayala Corporation from 2004 until September 2010. She became a Director of D&L Industries, Inc. starting in 2016. Ms. Nollado graduated with the degree of Bachelor of Science in Business Administration major in Accounting from the University of the Philippines in 1960 and placed second at the Certified Public Accountant Licensure Board Examination administered in the same year. In 1965, she obtained her Bachelor of Laws degree also from the University of the Philippines where she also placed second at the Bar Examination held in the same year.

#### **2. Roberto Martin S. Enrile, President**

Mr. Enrile, Filipino, born in 1969, 50 years old, is the President of BPI Investment Management, Inc. He served as head of Equities department of BPI Asset Management and Trust Corporation. With over 20 years of experience, Mr. Enrile has been in the banking and trust industry particularly in the capital markets. Prior to joining BPI, he was the head of Investments at Security Bank AMG and was with the Research, Investment Banking and Asset Management of ATR Kim Eng, now Maybank-ATR. Mr. Enrile was a graduate of FW Olin Graduate School of Business at Babson College where he earned a degree in Finance, minor in Entrepreneurship. He is also an alumnus of the Ateneo de Manila University with a Bachelor's Degree in Business Management.

#### **3. Ma. Ysabel P. Sylianteng, Independent Director**

Ms. Sylianteng, Filipino, born in 1951, 67 years old, was Executive Vice-President of the Bank of the Philippine Islands, and Head of the Card Banking Division and Customer Relationship Management Group from 2005 to 2012. She joined BPI in 1983 with the rank of Assistant Vice-President. Her past directorships include Santiago Land Development Corporation, First Far East Development Corporation, FEB Speed International, Inc., BPI Direct Savings Bank, Inc., Prudential Bank and Pilipinas Savings Bank. She currently serves as an independent director of BPI Family Savings Bank,

Inc. She graduated with AB-BSC major in Accounting from the Assumption College in 1973 and obtained her MBA from the Stanford University in 1977. She is a Certified Public Accountant.

#### **4. Jesus V. Razon, Jr., Independent Director**

Mr. Razon, Filipino, born in 1946, 72 years old, served as Senior Vice President of BPI and Head of the Human Resources Group. He also served as Head of the Consumer Banking Group – Metro Manila Branches. He serves as an independent director of BPI Family Savings Bank, Inc. and BPI Direct BankKO Inc., A Savings Bank (formerly known as BPI Direct Savings Bank, Inc.). His past directorships include BPI Operations Management Corp.; BPI Paseo de Roxas Condominium Corp.; Ayala Life Assurance, Inc.; FGU Insurance Corp.; BPI Forex Corp.; and Premiere Development Bank. Mr. Razon graduated from the Ateneo de Manila University with an A.B. Economics degree and earned his Master in Management degree from the Asian Institute of Management.

#### **5. Adelbert A. Legasto, Regular Director**

Mr. Legasto, Filipino, born in 1947, 71 years old, is also a director of ALFM Money Market Fund, Inc., ALFM Peso Bond Fund, Inc., ALFM Dollar Bond Fund, Inc., ALFM Euro Bond Fund, Inc., ALFM Growth Fund, Inc., ALFM Global Multi-Asset Income Fund, Inc., and the Philippine Stock Index Fund, Corp. He has served as Governor of the Philippine Stock Exchange 1994-96, Governor of the Makati Stock Exchange 1994-97, was an incorporator of the Philippine Central Depository (PCD), and served as President of the Trust Officers Association of the Philippines in 1998-99. He graduated from the Ateneo de Manila University with an A.B. Economics degree and completed his M.B.A. academics at the Ateneo Graduate School of Business. He completed the Pension Funds and Money Management from the Wharton School of the University of Pennsylvania, and Investment Management at the CFA Institute at the Harvard Business School in Boston, Massachusetts.

### **LIABILITY OF BPI INVESTMENT**

Nothing in this Prospectus shall be construed as a guaranty of return or income; nor does it entitle the INVESTOR/s to a fixed rate of return on the money invested by him/her in the FUND. BPI Investment shall not be liable for any loss or depreciation in the value of the FUND or in the value of INVESTOR's shareholdings unless attributable to BPI Investment's act of fraud, willful default, gross negligence or evident bad faith. It is understood that mutual funds are not bank deposit products, not guaranteed by BPI Investment, not covered by the Philippine Deposit Insurance Corporation, and that losses, if any, are for the sole account of the INVESTOR/s.

### **MANAGEMENT AND DISTRIBUTION CONTRACT**

The Fund vests upon the Fund Manager the authority, without need of prior approval or prior notification to the Fund, to purchase and sell securities and otherwise make or dispose of investments for the account of the Fund, within the limits of the guidelines set by law, the regulations set by the SEC, and the investment policies of the Fund.

The Fund Manager is further authorized to take charge of the collection of dividends, interests or other payments due on all securities owned by the Fund and shall, on behalf of and for the benefit of the Fund, exercise any and all rights of the Fund appurtenant to such securities such as the exercise of any preemptive rights, redemption rights, options, and others. The Fund Manager shall use voting rights for quorum purposes only. Nonetheless, in the event of unusual circumstances, the Fund Manager may request the Fund in writing for permission to exercise voting rights for other specified purposes.

The Fund Manager shall also provide transfer agency services including the maintenance of the official stock and transfer book of the Fund, the issuance of shareholders' Transaction Advice, and payment of dividends, if any.

BPI Investment shall also act as the Fund's Investment Advisor and is tasked to render services which include investment research and advice; the preparation of economic, industry, market, corporate, and security analyses; and assistance and recommendations in the formulation of investment guidelines.

For its services, BPI Investment shall charge a fee of not more than the rate stipulated below, based on the average daily trading NAV of the Fund.

<b>Name of Fund</b>	<b>Management Fee</b>	<b>Distribution Fee</b>	<b>Transfer Agent Fee</b>
ALFM Money Market Fund	0.225% p.a.	0.225% p.a.	0.050% p.a.

## **PLAN OF DISTRIBUTION**

There are no Shares designated to be sold to specified persons. There is no plan to apply for listing in any exchange the Shares of the registrants. Consequently, none of the registrant's Shares are to be allocated to an exchange and/or to its members.

The Distributors of the Fund are BPI Capital Corporation, BPI Investment Management, Inc., COL Financial Group, Inc., First Metro Securities Brokerage Corporation, Wealth Securities, Inc., and Unicapital Securities, Inc. All are licensed by the Securities and Exchange Commission. Shares of the fund will be sold through SEC Certified Investment Solicitor (CISol) or via online facility of a CISol licensed institution. Distributors, through their CISol/s, shall comply with the Suitability Rule.

Institutions who wish to distribute the Fund's shares shall enter into an agreement with the principal distributor and the Fund. The said agreement shall contain all commercial and operational terms in the distribution and processing of the Fund's shares. Prior to distributing the shares of the Fund, the appointed third-part distributor shall secure a mutual fund distribution license from the Securities and Exchange Commission and shall be renewed as per the requirement of the regulatory body. Shares distributed by a third-party distributor shall have the same right with the shares distributed by the principal distributor.

The Distributors shall be entitled to collect a Sales Load based on each amount invested by an applicant or Shareholder in the Fund, in such percentages to a maximum 3%, and shall have the discretion to establish the sharing of such Sales Load that is entitled to be received by its Sales Agents.

## **THE CUSTODIAN BANK**

Citibank, N.A. is the Fund's Custodian Bank. Under the Custodianship Agreement, Citibank, N.A. shall be responsible for the safekeeping of appropriate monies and securities of the Fund as Custodian. Citibank, N.A. shall be entitled to collect a fee which shall be negotiated between the Fund and Citibank, N.A.

## **THE RECEIVING BANKS**

The Bank of the Philippine Islands and BPI Family Savings Bank shall serve as the Fund's receiving banks (the "Receiving Banks"). Payments for Shares purchased by applicants or existing Shareholders shall be deposited into the Fund's settlement account maintained with the Receiving Banks. The proceeds of Shares redeemed from Shareholders shall be debited from the Fund's settlement account maintained with the Receiving Banks. There is no compensation for the receiving branches.

## **OTHER INFORMATION REQUIRED**

The Fund has no independent counsel or expert hired on a contingent basis.

## **HANDLING CUSTOMERS' COMPLAINT**

For any concerns, investors can contact BPI Investment thru any of the following numbers: (02) 580-3565, (02) 580-3566, and (02) 580-3569. Investors may also send an e-mail at [bpi\\_investment@bpi.com.ph](mailto:bpi_investment@bpi.com.ph).

The fund manager will acknowledge the receipt of the concern/complaints within three (3) business days and log the same to "Complaints Log". Clients will be informed on the resolution within fourteen (14) calendar days for simple issues/request and sixty (60) calendar days for complex issues/request.

In case of improper handling, investors may refer their concerns to the SEC at <http://imessagemo.sec.gov.ph/login.php>.

#### **POLICIES ON CONFLICT OF INTEREST AND MANAGEMENT AND PROCEDURES IN MONITORING AND RESOLVING CONFLICTS OF INTEREST**

The directors and officers of the Fund are expected to act in the best interest of the Fund in a manner characterized by transparency, accountability and fairness. Directors and officers of the Fund should conduct fair business transactions with the Fund, and ensure that his or her personal interest does not conflict with the interests of the Fund.

The basic principle to be observed is that a director or officer should not use his or her position to profit or gain some benefit or advantage for himself or herself and/or his or her related interests. A director or officer should avoid situations that may compromise his or her impartiality.

To avoid or minimize future conflict of interest situations, the Nomination Committee of the Fund shall consider the possibility for such occurrences when determining potential nominees for directorships of the Fund. The Board of Directors shall likewise consider the same standard when appointing officers of the Fund.

If an actual or potential conflict of interest may arise on the part of a director or officer, he or she should fully and immediately disclose it and should not participate in the decision-making process. A director or officer who has a continuing material conflict of interest should seriously consider resigning from his or her position.

## MECHANICS OF THE FUND

The Fund's Shares shall be offered through the accredited Distributors of the Fund. The Distributors shall be entitled to collect a front-end Sales Load based on each amount invested by an applicant or Shareholder in the Fund, in such percentages as are stipulated on page 7 of this Prospectus. The Distributors shall have the discretion to establish the sharing of such Sales Load that their Sales Agents are entitled to receive.

### PURCHASE OF SHARES

Each new applicant shall fill out, either electronically or manually, a Customer Referral Sheet and a Payment Slip or Fund Order Form which may be obtained from, or provided by, any authorized Distributor. Applicant shall also fill out a Client Suitability Assessment Form to determine the client's understanding of the risks related to investing. Applicants undertake to sign all documents and/or perform such acts as may be necessary to enable them to be registered as holders of the Shares applied for and under their respective accepted Applications. In addition, if the applicant is a corporation, partnership or trust, the Application must be accompanied by the following documents: (1) a notarized Board Resolution covering the authority to invest in the Fund and designating the authorized signatories; (2) a certified true copy of the SEC Certificate of Registration, the Articles of Incorporation or other constitutive documents, the By-Laws, and General Information Sheet. For subsequent applications by a Shareholder, only a Payment Slip or Fund Order Form need be signed.

The Payment Slip or Fund Order Form shall indicate the gross amount of investment. The number of Shares that an investor will be able to buy will be determined as and when the Fund's NAVPS shall have been computed and accordingly made available at the end of the day. The investor's Settlement Account will be automatically debited at the end of the day for the amount of whole shares purchased, including the Sales Load, to a percentage that will not exceed 3%, if any.

Subscription Orders received on or before 1:30 p.m. (the "Cut-off Time") on any valuation day will be processed at the NAVPS applicable on that day. Subscriptions Orders received after the Cut-off Time shall be deemed to have been received on the next valuation day and will be processed at the NAVPS applicable on that day.

### REDEMPTION OF SHARES

The Fund agrees to purchase, and each Shareholder of the Fund shall be entitled to require the Fund to purchase, but not in the event and to the extent that the Fund has no assets legally available for such purpose whether arising out of capital, paid-in surplus or other surplus, net profits or otherwise, all or any part of the Shares standing in the name of such Shareholder in the books of the Fund, but only at the Redemption Price as of the valuation day on which a Redemption Order is made.

The applicable NAVPS, less the Early Redemption Fee, *if any*, shall be called the "Redemption Price." Any such request for redemption shall be evidenced by a duly-signed Redemption Slip or Fund Order Form, submitted to the Fund through the Distributor's Sales Agent or Receiving Bank. Redemption Orders received on or before 1:30 p.m. (the "Cut-off Time") on any valuation day will be processed at the Redemption Price applicable on that day. Redemption Orders received after the Cut-off Time shall be deemed to have been received on the next valuation day and will be processed at the Redemption Price applicable on that day. The payment for Shares so redeemed shall be credited to the Shareholder's Settlement Account with the Receiving Bank within the period stipulated by existing SEC rules, currently set at no longer than seven (7) days reckoned from the date the Redemption Order is received by the Fund. The Fund shall be entitled to collect an Early Redemption Fee based on the amount redeemed, in accordance with the following schedule:

Name of Fund	Holding Period	Early Redemption Fee
ALFM Money Market Fund	7 days or less	1.00% flat
	more than 7 days	none

The Fund may suspend redemptions or postpone the date of payment for redemptions in cases when (i) normal trading is suspended on the Philippine Stock Exchange, or (ii) the BSP suspends clearing operations for the day, or (iii) with the consent of the SEC. The SEC may, whenever necessary or appropriate in the interest of the Fund's Shareholders, suspend the redemption of securities of open-end companies.

## **SPECIAL CONSIDERATIONS**

The Fund shall not suspend the right of redemption nor postpone the date of payment or satisfaction upon redemption of any redeemable security for more than seven (7) banking days after the tender of such security to the Fund, except in the following cases:

- (1) for any period during which banks are closed other than customary weekend and holiday closings;
- (2) for any period during which an emergency exists as a result of which (a) disposal by the Funds of securities owned by them is not reasonably practicable, or (b) it is not reasonably practicable for the Fund to determine the value of its net assets; or
- (3) for such other periods as the SEC may, by order, permit for the protection of security holders of the Fund.

## **VALUATION AND ACCOUNTING PROCEDURES**

The Fund's investment securities shall be valued based on the valuation standards specified under PAS Nos. 32 and PFRS No. 9 and other amendments to the said standards. The NAV per Share (NAVPS) shall be obtained by dividing the market value of the assets of the Fund, less the value of its liabilities, reserves for expenses and adjustments for market risk, by the total number of Shares outstanding at such valuation date. (See "Determination of the Funds' Net Asset Value" below.)

The Fund shall secure the services of an independent auditor to verify its financial statements at least on an annual basis.

## **DETERMINATION OF THE FUND'S NET ASSET VALUE**

The Net Asset Value per Share of the Fund, as of the close of any business day (the "Close"), shall be obtained by dividing the value of the assets of the Fund, less the value of its liabilities, reserves for expenses and adjustments for market risk, by the total number of Shares outstanding at such Close, all to be determined as follows:

1. The assets of the Fund shall be deemed to include:
  - (i) all cash on hand, on deposit, or on call; (ii) all bills and notes and accounts receivable; (iii) all shares of stock and subscription rights and other securities owned or contracted for by the Fund, other than its own capital stock; (iv) all stock dividends to be received by the Fund and not yet received by it but declared to stockholders of record, on a date on or before the date as of which the Net Asset Value is being determined; (v) all interest accrued on any interest bearing securities owned by the Fund; (vi) all real properties or interest therein; and (vii) all other properties of every kind and nature including prepaid expenses.
2. The liabilities of the Fund shall be deemed to include:
  - (i) all bills and notes and accounts payable; (ii) all administrative expenses payable and/or accrued (including management and advisory fees and custody expenses); (iii) all contractual obligations for the payment of money or property; (iv) all reserves for expenses and adjustments for market risk; and (v) all the other liabilities of the Fund of any kind and nature whatsoever, except liabilities represented by the outstanding capital stock and surplus of the Fund.
3. For the purposes thereof:
  - (i) capital stock subscribed for shall be deemed to be outstanding as of the time of acceptance of any subscription and the entry thereof in the books of the Fund, and the net

proceeds thereof shall be deemed to be an asset of the Fund; and (ii) capital stock surrendered for purchase by the Fund pursuant to the provisions of its Articles of Incorporation or By-Laws shall be deemed to be outstanding until the close of business on the business day as of which such Net Asset Value is being determined and, thereupon and until paid, the price thereof shall be deemed to be a liability of the Fund.

On every valuation day, the Fund Manager shall compute the NAV per Share and shall report the same to the Fund's Distributors. The Fund Manager shall cause the regular publication of the Fund's NAV per Share on the Fund's website, the Distributor's website, and premises.

To estimate its exposure to market risk, the Fund Manager computes the statistical "value at risk" (VAR) of its investments. The VAR measurement estimates the maximum loss due to adverse market movements that could be incurred by the portfolio during a given holding period with a given level of confidence. The Fund Manager uses a one month holding period, estimated as the number of days required to liquidate the investment portfolio, and a 99% degree of confidence in the computation of VAR. As such, there remains a 1% statistical probability that the portfolio's actual loss could be greater than the VAR estimate.

## **TAXATION**

Section 32 of Republic Act 8424 excludes the gains from redemption of shares in mutual funds from the computation of gross taxable income. However, investors are advised to consult their own professional advisers as to the tax implications of subscribing for, purchasing, holding and redeeming shares of the Fund. Tax rulings and other investment factors are subject to rapid change.



## **INVESTMENT OBJECTIVES AND RESTRICTIONS OF THE FUND**

The primary investment objective of ALFM Money Market is to seek capital preservation and stable income by investing primarily in a diversified portfolio of Philippine peso denominated short-term fixed income and money market instruments. ALFM Money Market Fund may be considered as a conservative fund investing mainly in short-term securities.

In line with its primary investment objective, the Fund may invest and re-invest in, or sell, transfer or otherwise dispose of, depending on prevailing and anticipated market conditions, selected instruments and securities such as, but not limited to, government securities and reverse repurchase agreements, term deposits, deposit substitutes, commercial paper, short-term corporate bonds, private debt-paper, promissory notes, asset-participation certificates, receivables, cash, and other types of fixed-income generating instruments, assets created or issued by any and all persons, firms, corporations, associations, partnerships, syndicates, entities, governments and their subdivisions, agencies or instrumentalities, domestic or foreign, or such other similar instruments, denominated in any currency, and securities of all kinds as may be approved by the Securities and Exchange Commission which can provide the Fund with a stream of interest income; and acquire, invest and re-invest in, sell, transfer or otherwise dispose of; and, generally, carry on the business of an open-end investment company insofar as may be permitted by and subject to existing laws.

Due to its investment objective, ALFM Money Market may be considered as suitable for investors with a conservative risk profile.

### **CHANGE IN INVESTMENT OBJECTIVES**

The investment objectives of the Fund may not be changed without the approval of the Shareholders owning at least a majority of the respective Fund's outstanding capital stock, present in person or by proxy at a meeting called for such purpose.

### **INVESTMENT LIMITATIONS**

In investing the assets of an Investment Company, the Fund Manager shall comply with the following limitations:

- a. The maximum investment of an Investment Company in any single enterprise or issuer shall not exceed an amount equivalent to fifteen percent (15%) of its net assets, nor shall the total investment of the fund exceed ten percent (10%) of the outstanding securities of the investee company.
- b. The Investment Company must not invest, in aggregate, more than twenty percent (20%) of its net assets in transferrable securities, money market securities, deposits and financial derivatives issued by a single entity or issuer.
- c. Deposits shall not exceed twenty percent (20%) of its net assets in a single bank/non-bank with quasi bank license excluding monies for liquidation of a revoked Investment Company.
- d. The investments in the following shall not exceed five percent (5%) of the net assets of the Investment Company:
  - i. Deposits placed with a non-investment grade or unrated deposit taking institution;
  - ii. Debt securities or money market instruments not dealt in an organized market or issued by an unrated or non-investment grade issuing body; and
  - iii. Over-the-counter financial derivatives with non-investment grade or unrated counterparty, unless the derivatives are used for efficient portfolio management which the investment aggregate shall not exceed more than twenty percent (20%) of the assets of the Investment Company;
  - iv. Unlisted shares issued by a related party.

The aggregate investments shall not exceed ten percent (10%).

- e. Investment in foreign government debt securities or money markets where the issuer or the guarantor is a government, sovereign or central bank with an international long-term issuer rating of investment grade may be increased to a maximum of thirty five percent (35%) of the net assets of the Investment Company;
- f. A maximum of five percent (5%) of the net assets of the Investment Company may be invested in government debt securities issued or guaranteed by a government, sovereign or central bank with an international long-term issuer rating that is non-investment grade;
- g. In investing in financial derivative instruments for the Investment Company, the Fund Manager shall see to it that it employs a risk-management process which captures the risks associated with the use of financial derivatives and satisfies all the following requirements:
  - i. The total exposure to financial derivatives or embedded financial derivatives, including counterparty transactions, shall not exceed ten percent (10%) of the net assets of the Investment Company, or five percent (5%) of the net assets if the derivatives are not investment grade, unless the derivatives counterparty is used for efficient portfolio management which the investment aggregate shall not exceed more than twenty percent (20%);
  - ii. The Investment Company shall invest five percent (5%) of its net assets to liquid assets to meet all its payment and delivery obligations;
  - iii. The Fund Manager shall not act as a counterparty to an OTC derivative invested into by the Investment Company.
- h. The MFC shall be prohibited from investing in the securities it is issuing.
- i. No Investment Company shall purchase from or sell to any of its officers or directors or the officers or directors of its investment advisor/s, manager or distributor/s or firm/s of which any of them are members, any securities other than the capital stock of the Investment Company.
- j. The Investment Company shall not engage in short selling;
- k. Unless the Commission shall provide otherwise, the Investment Company shall not invest in any of the following:
  - i. margin purchase of securities (investment in partly paid shares are excluded);
  - ii. commodity futures contracts;
  - iii. precious metals; and
  - iv. unlimited liability investments.

### **Additional Rules on Money Market Funds**

Constant net asset value money market funds (C-NAV MMFs) are not permitted. The Fund Manager that manages an Investment Company that markets itself as a money market fund or an equivalent fund that primarily invests in high quality debts securities, deposits and money market instruments shall comply with the following:

- a. Shall have a cash reserve, or assets with high liquidity, low market risk and can be cashed within T+1 day, of at least ten percent (10%) of its net assets;
- b. Invest in any of the following:
  - i. high quality debts securities;
  - ii. deposits; and
  - iii. money market instruments.
- c. Shall not engage in direct lending of monies.

### **Liquidity Requirements**

For liquidity purposes, unless otherwise prescribed by the Commission, at least ten percent (10%) of the assets of an Investment Company shall be invested in liquid/semi-liquid assets.

- a. Such liquid/semi-liquid assets shall refer to, but not limited to the following:

- i. Treasury notes or bills, Certificates of Indebtedness issued by the Bangko Sentral ng Pilipinas which are short term, and other government securities or bonds and such other evidence of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines;
  - ii. Tradable Long-Term Negotiable Certificate of Time Deposits (LTNCTD)
  - iii. Government debt securities where the issuer or the guarantor is a foreign government, sovereign or central bank with an international long-term issuer rating of investment grade;
  - iv. Savings or time deposits with government-owned banks or commercial banks, provided that in no case shall any such savings or time deposit accounts be accepted or allowed under a "bearer", "numbered" account or other similar arrangement.
  - v. Money market instruments issued by Philippine regulated qualified buyers or those issued by an investment grade issuing body;
  - vi. Other collective schemes wholly invested in liquid/semi-liquid assets.
- b. The MFC may implement a decreased investment of less than ten percent (10%) but not less than five percent (5%) of its assets in liquid/semi-liquid assets, provided, however, that it shall submit a notarized liquidity contingency plan, signed by the President of the Fund and its Fund Manager.

### **Other Limitations**

#### **Operational expenses**

The total operating expenses of an Investment Company shall not exceed ten percent (10%) of its average investment fund or net worth as shown in its previous Audited Financial Statements covering the immediately preceding fiscal year.

The formula shall be as follows:  $\text{Expense Ratio \%} = (\text{Total Operating Expenses} / \text{Average Net Asset Value}) \times 100$ .

#### **Borrowing limit**

An Investment Company may borrow, on a temporary basis, for the purpose of meeting redemptions and bridging requirements provided that:

- a. The borrowing period should not exceed one month; and
- b. The aggregate borrowings shall not exceed ten percent (10%) of the net assets of the Investment Company.

The Investment Company shall not incur any further debt or borrowing unless at the time of its incurrence or immediately thereafter there is an asset coverage of at least three hundred percent (300%) for all borrowings of the Investment Company. Provided, however, that in the event that such asset coverage shall at any time fall below three hundred percent (300%), the Investment Company shall within three (3) days thereafter, reduce the amount of its borrowings to an extent that the asset coverage of such borrowings shall be at least three hundred percent (300%).

## **PHILIPPINE LAWS APPLICABLE TO THE COMPANY**

### **INVESTMENT COMPANY ACT OF 1960**

- The Investment Company Act of 1960 primarily regulates the business of investment companies. Subject to the exceptions under the law, an investment company is any issuer, which is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, re-investing, or trading in securities. An investment company is either (a) an open-end company; or (b) a closed-end company. An open-end company is an investment company, which is offering for sale or has outstanding, redeemable securities of which it is the issuer. A closed-end company, on the other hand, is an investment company other than an open-end company. The Investment Company Act provides for separate rules for each kind of investment company.

To be incorporated as an investment company, the following requirements should be complied with:

1. Minimum subscribed and paid-in capital of PhP 50.0 Million.
2. All shares of stock should be common and voting shares.
3. In the case of open-end companies, the Articles of Incorporation thereof should expressly waive the preemptive rights of stockholders.
4. All Filipino membership in the Board of Directors.

The Investment Company Act requires the registration of the investment company under said Act. The shares of the investment company are required to be registered under the Securities Regulation Code. The Investment Company Act also requires an investment company to place and maintain its securities and similar investments in the custody of a duly organized local commercial bank of good repute, duly authorized by the BSP to perform trust functions.

### **DIVIDENDS**

A corporation may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the corporation, with its capital unimpaired, which are not appropriated for any other purpose. The corporation may satisfy dividends in cash, by the distribution of property, or by the issue of shares of stock. Dividends satisfied by the issuance of shares may be paid only with the approval of shareholders representing at least two-thirds (2/3) of the outstanding capital stock at a shareholders' meeting called for such purpose.

The declaration of dividends is generally discretionary with the Board of Directors. However, corporations with surplus profits in excess of 100% of their paid-up capital are required to declare and distribute the amount of such profits and dividends, except when the retention is justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the consent of creditors is required under any loan agreement or when it can be clearly shown that such retention is necessary under special circumstances.

### **RIGHTS OF SHAREHOLDERS**

The right of shareholders to institute proceedings on behalf of the corporation in a derivative suit is recognized in Philippine jurisdiction. Derivative suits may be filed where the corporation itself is unable or unwilling to institute the necessary proceedings to redress a wrong committed against the corporation or to vindicate corporate rights. Derivative suits as a rule are filed with the SEC. Jurisdiction over intra-corporate disputes is transferred to the regular Courts.

A shareholder has a right to dissent and demand payment of the fair value of his shares in the following instances: any amendment of the Articles of Incorporation which has the effect of changing or restricting rights attached to his shares, or of extending or shortening the term of corporate existence, the sale/lease or other disposition of all or substantially all of the assets of the corporation, or a merger or consolidation of the corporation with another corporation. The fair value at which the

shares of a dissenting shareholder may be sold to the corporation may be agreed upon by the parties. If they cannot reach agreement, it shall be determined by an independent committee. Payment of the shares of a dissenting shareholder may be made only if the corporation has unrestricted retained earnings to purchase the shares.

## **MANAGEMENT**

Corporate powers are exercised, and all business of a corporation is conducted, by the Board of Directors. However, the powers of the Board of Directors are not unlimited. Certain corporate acts may be effected only with the approval of shareholders representing at least two-thirds (2/3) of the outstanding capital stock at a shareholders meeting convened for the purpose. Matters requiring such shareholders' approval include the amendment of the Articles of Incorporation, removal of directors, the sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the assets of the corporation, and the investment of corporate funds in another corporation or business or for any purpose other than the primary purpose for which the corporation was organized.

## **GOVERNMENT POLICIES AND REGULATIONS**

The Fund falls under the category of Investment Company which is regulated by the Philippine Government through the Securities and Exchange Commission and several laws. Investment companies are required to be incorporated pursuant to the Corporation Code of the Philippines or *Batas Pambansa Blg. 68* (the "Corporation Code"). Aside from the incorporation requirements, investment companies are required to be registered either as an open-end or a closed-end investment company following the rules found under the Investment Company Act. Securities issued by an investment company are required to be registered following the rules of the Securities Regulation Code. The regulating body tasked with the implementation of the aforementioned laws is the SEC.

### **THE SECURITIES AND EXCHANGE COMMISSION**

Under the Securities Regulation Code, the SEC is responsible for regulating the securities market. The SEC is a quasi-judicial government agency under the administrative supervision of the Department of Finance.

The SEC is headed by a chairperson and four (4) associate commissioners who are appointed by the President of the Philippines for a term of seven (7) years. The SEC is responsible for the registration of securities proposed to be listed on the PSE, the registration of securities proposed to be offered to the public, the regulation of the securities markets, the licensing of securities brokers and dealers, the promulgation of rules and regulations on securities trading, and the issuance of opinions and rulings pertaining to the proper application of the Corporation Code, the Securities Regulation Code, the Investment Company Act, and certain other statutes.

The SEC's departments that regulate investment companies are the Company Registration and Monitoring Department, the Corporation Finance Department, and the Market Regulation Department.

### **THE INVESTMENT COMPANY ACT OF 1960**

The Investment Company Act (Republic Act No. 2629) contains the various rules and regulations for corporations which may wish to engage in the business of primarily investing, re-investing, or trading in securities. The Act, however, excludes from its broad definition of "investment companies" such entities as banks, insurance companies, employees' stock bonus plans, pension plans, and profit-sharing plans.

For purposes of the Act, investment companies are divided into open-end and closed-end companies, defined as follows: (i) "open-end company" means an investment company which is offering for sale, or has outstanding, any redeemable security of which it is the issuer; and (ii) "closed-end company" means any investment company other than an open-end company.

The Act provides for several rules relative to the incorporation of investment companies, the most basic of which are as follows: (i) the subscribed and paid-up capital of the investment company must be at least PhP 50.0 Million; (ii) all shares of capital stock must be common and voting shares, and, in the case of open-end companies, the Articles of Incorporation must waive the preemptive rights of shareholders; and (iii) all members of the Board of Directors must be Filipino citizens.

### **THE SECURITIES REGULATION CODE**

The Securities Regulation Code (Republic Act No. 8799) provides that securities which are to be offered or sold to the public in the Philippines must first be registered with the SEC (except for certain securities exempt from the registration requirements and securities to be sold in certain exempt transactions). The Securities Regulation Code also requires companies listed in the stock exchange and companies whose securities are registered under the said law to submit periodically corporate information and financial statements.

## MANAGEMENT DISCUSSION OR ANALYSIS ON PLAN OF OPERATIONS

During the Stockholders' meeting on November 24, 2010, the Stockholders approved the proposed increase in Authorized Capital Stock from PhP 50 Million (divided into 5 Million shares of PhP 10.00 par each) to PhP 5 Billion (divided into 500 Million shares of PhP 10.00 par each).

### **AS OF SEPTEMBER 30, 2018**

ALFM Money Market Fund's growth in net asset attributable to shareholders continues to grow for the third consecutive quarter with 22.13% growth in the third quarter; attributable mostly to strong inflow from the investors as the local equity market continues to experience net foreign outflow for the third quarter and inflation print continues to climb which had a negative effect on the long duration bond funds.

Accrual remains the key to the positive return of the Fund with Interest Income drove majority of the total income with PHP 118.29 Million. The Fund had to rebalanced the fund and sell government securities at a loss as the 1-year government security climbed 80 basis points. Inflation figure also printed on the high end with August and September figure climbing to 6.4% and 6.7% respectively. The rise on the prices was primarily led by food, tobacco and sugary drinks. Elevated global prices likewise drove transport and power prices higher. As the surge in inflation continued for two succeeding months, the Bangko Sentral ng Pilipinas (BSP) hiked 50 basis points in its September's meeting. Philippine overnight rate now stands at 4.50% with inflation expectation to stay above the 2%-4% target of the BSP. At the same time, BSP remains open for any possible future hikes if warranted.

Net asset value per share for the quarter gave a return of 0.59% or PHP 0.69; bringing NAVps to 119.80. Current liquidity ratio remains high and the fund does not foresee any forthcoming liquidity issue as it remains and will maintain a duration of less than 1. Earnings-per-share has also improved for the 3Q as it rose from 0.66 in the first quarter to 2.17.

No other notable data was observed for the quarter.

### **Top Performance Indicators**

- a) **Performance vis-à-vis the Benchmark** - ALFM Money Market Fund is an actively managed money market fund whose objective is to seek capital preservation and stable income from a diversified portfolio of short-term bonds and money market instruments. The fund gained a year-to-date return of 1.87% as of 30 September 2018 based on its net asset value per share. The fund outperformed its blended benchmark, 75% Philippines 30-day Special Savings Rate (net of tax) plus 25% BPI Philippine Government Money Market Index, by 84 bps.
- b) **Market Share in the Industry** - ALFM Money Market Fund ranked second in the Money Market Mutual Fund industry with a market share of 36.80%, up by 10% for the quarter, but still behind its competitor, Sun Life Money Market Fund's 61.40% market share.
- c) **NAV Growth vis-à-vis Industry Growth** - The Fund's average daily NAV for the third quarter of 2018 was at PHP 12.14 Billion. The Fund's average daily NAV as of September 30, 2018 was at PHP 10.25 Billion. The Fund's NAV as of end 3Q2018 is at PHP 12.995 Billion, increased by PHP 2.355 Billion or 22.13% increase from prior quarter. The money market segment, in contrast, declined by PHP 4.397 Billion or 11.06% for the 3Q of 2018.
- d) **Portfolio Quality** - The Fund's portfolio should at all times, adhere to the investment parameters as indicated in the Fund's prospectus. As of end 3Q 2018, based on its total asset value, the fund is invested 14.51% in government securities, 57.43% in corporate securities, 0.95% in fixed income fund and 27.11% in cash, time deposits and other net receivables.
- e) **Performance vis-à-vis Competition** - The fund's performance is also compared against the performance of other players in the market. As of the end of 3Q 2018, ALFM Money Market Fund

remained at its number one spot besting its two other money market mutual fund competitors in terms of year-to-date net return.

## **Findings of SEC's Office of the General Accountant (OGA) upon review of the Fund's Unaudited Interim Financial Statements (UIFS) for the period ended June 30, 2018**

### ***Notes to Financial Statements (Notes to UIFS)***

The classification of financial assets disclosed in Page 10 of the Notes to UIFS is not in accordance with the classification prescribed by PFRS 9.

### ***Response of Company***

The company will revise the notes in future submission of Financial Statements. Please see revision below.

### **13.3 Financial assets**

#### **(a) Classification and measurement**

##### *Investments in debt securities*

The Fund classifies its financial assets in the following measurement categories: (a) fair value through profit or loss (FVTPL); (b) amortized costs or hold-to-collect investments; and fair value through other comprehensive income (FVOCI). The classification depends on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Management determines the classification of its financial assets at initial recognition.

As at the reporting period, the Fund's cash in bank falls under financial asset measured at amortized cost and has no financial assets under FVTPL and FVOCI categories.

A financial asset is measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets at amortized costs or hold-to-collect investments are initially measured at fair value plus transaction costs and subsequently measured at amortized costs using the effective interest method, less any provision for impairment.

A financial asset is measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both holding financial assets in order to collect contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

For financial asset measured at FVOCI, all movements in the fair value is taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest revenue in line with the effective interest method and foreign exchange gains and losses, which are recognized in profit or loss.

If the financial asset does not pass the business model assessment and SPPI criteria, or the fair value option is applied, it is measured at FVTPL. This is the residual measurement category. Gains and losses arising from changes in the fair value of financial assets at FVTPL are included within Net gains (losses) on financial assets at FVTPL in the statement of total comprehensive income in the period in which they arise.

##### *Investments in equity instruments*

Under PFRS 9, investments in equity instruments are always measured at fair value. Equity instruments that are held for trading are required to be classified at FVTPL, with dividend income recognized in profit or loss.

The Fund is allowed to make an irrevocable election on initial recognition, on an instrument-by-instrument basis,



to present changes in fair value in OCI rather than profit or loss (except for equities that give an investor significant influence over an investee according to PAS 28, which can only be accounted for under PFRS 9 if they are measured at FVTPL). Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of an investment, in which case they are recognized in OCI. There is no recycling of amounts from OCI to profit or loss – for example, on sale of an equity investment – nor are there any impairment requirements. The Fund however, is allowed to transfer the cumulative gain or loss within equity.

(b) *Derecognition*

Financial assets are derecognized when the rights to receive the cash flows from the financial assets have expired or where the Fund has transferred substantially all the risks and rewards of ownership. Related gains and losses realized at the time of derecognition are recognized within Net gains (losses) on financial assets at FVTPL in the statement of total comprehensive income.

(c) *Impairment*

The Fund assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets carried at amortized costs and recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (b) time value of money; and (c) reasonable and supportable information that is available without undue costs or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The amount of provision for impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in profit or loss. When a financial asset is uncollectible, it is written off against the allowance account after all the necessary procedures have been completed and the amount of loss has been determined. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of reversal is recognized in profit or loss as a reduction of impairment loss for the year.

As at reporting date, no impairment losses are recognized for the Fund's cash in bank.

**Notes to Financial Statements (Changes in accounting policies and disclosures)**

There are no disclosures on the company's adoption of PFRS 9 and PFRS 15. The said standards have been effective beginning January 1, 2018, thus, the company should have already adopted the same.

Likewise the impact of adopting the said standards should be disclosed in the UIFS.

**Response of Company**

The company will include below disclosures in future submission of Financial Statements.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Fund has adopted the following new accounting pronouncements starting January 1, 2018. The Adoption of these pronouncements did not have any significant impact on the Fund's financial position or performance unless otherwise indicated.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
  - Amendments to Philippine Accounting Standard (PAS) 7, *Statement of Cash Flows, Disclosure Initiative*
  - Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*
  - Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
  - Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
  - PFRS 15, *Revenue from Contracts with Customer*
  - PFRS 9, *Financial Instruments*
- PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard

introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory.

a. **Classification and Measurement**

Having completed its assessment on the classification and measurement of its financial assets, the Fund has concluded the following:

- Financial assets classified as loans and receivables under PAS 39 are expected to be measured at amortized cost under PFRS 9.
- Financial assets held for trading and financial assets designated at FVPL are expected to be continue to be measured at FVTPL.
- Debt securities classified as held-to-maturity (HTM) are expected to continue to be measured at amortized cost.

b. **Impairment**

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under PAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, loan commitments and certain financial guarantee contracts.

The Fund fully adopt the new standard on the mandatory effective date and will not restate comparative information.

The Fund adopted the following standards effective January 1, 2018:

- *PFRS 15, 'Revenue from contracts with customers'* replaces PAS 18, 'Revenue'; which covers contracts for goods and services and PAS 11, 'Construction contracts' which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognized: (1) identify contracts with customers, (2) identify the separate performance obligation, (3) determine the transaction price of the contract, (4) allocate the transaction price to each of the separate performance obligations, and (5) recognize the revenue as each performance obligation is satisfied.

The impact of PFRS 15 adoption did not result to a significant change in the revenue recognition of the Fund.

**Notes to Financial Statements (Financial Assets)**

The following information are not disclosed in the UIFS:

- a. The original measurement category and carrying amount determined in the earlier version of PFRS 9;
- b. The new measurement category and carrying amount determined in accordance with revised PFRS 9;
- c. The amount of any financial assets and financial liabilities in the statement of financial position that were previously designated as measured at fair value through profit or loss but are no longer so designated, distinguishing between those that PFRS 9 requires an entity to reclassify and those that an entity elects to reclassify.

The company should present these quantitative disclosures in tabular format unless another format is appropriate.

**Response of Company**

The company will include below disclosures in future submission of Financial Statements.

PFRS 9 adoption

The adoption of PFRS 9 resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Fund did not early adopt any provisions of PFRS 9 in previous periods.

As permitted by the transitional provisions of PFRS 9, the Fund elected not to restate comparative figures. The adoption of PFRS 9 has resulted in changes mainly in the Fund's accounting policies for recognition, classification and measurement and impairment of financial assets. There were no changes in the classification

of financial liabilities. PFRS 9 also significantly amends other standards dealing with financial instruments such as PFRS 7, Financial Instruments: Disclosures.

Set out below are disclosures relating to the impact of the adoption of PFRS 9 on the Fund.

(a) Classification and measurement of financial assets

The measurement category and the carrying amount of financial assets in accordance with PAS 39 and PFRS 9 at January 1, 2018 are as follows:

	PFRS 9		PAS 39	
	January 1, 2018		December 31, 2017	
<b>Financial instruments</b>	Measurement category	Carrying amount	Measurement category	Carrying amount
Cash and other cash items	Fair value through profit or loss (FVTPL)	1,195,282,358	Fair value through profit or loss (FVTPL)	1,195,282,358
Short-term investments	Fair value through profit or loss (FVTPL)	2,150,002,119	Fair value through profit or loss (FVTPL)	2,150,002,119
Investment securities	Fair value through profit or loss (FVTPL)	1,097,021,051	Fair value through profit or loss (FVTPL)	1,097,021,051
	Held to maturity (HTM)	4,028,750,767	Amortized cost	4,028,750,767

(b) Reconciliation of statement of condition balances from PAS 39 to PFRS 9.

The financial assets affected by the adoption of the new standard are shown below. The reconciliation of the carrying amounts of these financial assets, from their previous measurement category in accordance with PAS 39 to their new measurement categories upon transition to PFRS 9 on January 1, 2018 follows:

		Investment securities at FVPL	Investment securities at amortized cost (HTM in 2017)
Closing balance, December 31, 2017 - PAS 39		1,097,021,051	4,028,750,767
Reclassifications from:			
Available-for-sale to FVTPL	a	-	-
Available-for-sale to amortized cost	b	-	-
HTM to FVOCI	c	-	-
HTM to amortized cost*	d	-	-
Opening balance, January 1, 2018 - PFRS 9		1,097,021,051	4,028,750,767

## **AS OF DECEMBER 31, 2017**

Philippines GDP continues to remain one of the top-performing emerging economies in Asia despite being a post-election year, behind China (6.9%) and Vietnam (6.8%), ending 2017 at 6.7%, just a shy away from 2016's growth of 6.9%. The strong growth was mainly driven by the service sector which contributed to 3.9 percentage points to the total GDP and the recovering various industries.

Inflation print remained subdued throughout the year between the government's range of 2 to 4%. BSP also held their rates steady throughout the year with the overnight lending rate at 3.5% and overnight deposit at 2.5%.

Despite the strong economic performance of the country, the Philippine local yield curve was quite tumultuous especially on the last quarter of the year where the market saw all the yields rose across the curve on average of 53 basis points for the liquid tenors as inflation fears crept in amidst the newly appointed TRAIN law which we will see a broad increase in taxes for goods and services. It was only on the second quarter where the bond yields rallied across the curve, seeing a decline of 19.75 basis points on average. This was the only breather in the bond market where local investors were soothed as the new BSP Governor was named and policies of Former BSP Governor Tetangco will be carried over. The appointment of the new BSP Governor Nestor Espenilla Jr, a long serving technocrat in Bangko Sentral ng Pilipinas, means that the pillars of the central bank – price stability,

financial stability and a reliable and efficient system for payments and settlements- will be preserved. The appointment was also seen that BSP will remain independent as a someone from within the institution was named instead of an outsider.

For the year, the ALFM Money Market Fund was able to give a full year return of 1.7299%, net of taxes and fees, or a NAV per share of PHP 117.61 or PHP 2.00 up from 2016's year-end of PHP 115.61. The Fund also ended the year strong with its Net Asset Value (NAV) growing 270% to PHP 8.53 Bn from PHP 2.29 billion prior year. The increase in the NAV was due to marketing effort of ALFM rebranding, increasing awareness of the brand as well as investors taking profit from the strong performance of the equities market and shortening duration from their long bond position.

Earnings per share also saw a big jump to PHP 2.15 versus prior year's PHP 1.39. Income was also boosted more than 3x to PHP 168 Million due to increase in interest income coming from short-term investments of PHP46 Million, financial assets at fair value through profit or loss PHP 31 Million and PHP 91 Million from interest income in held-to-maturity securities.

Other notable increase was the taxes and licenses where the fund saw a 7x jump from 2016. The effect of the shortened withholding period from 30 days to 7 days was only felt in 2017 as documentary stamps paid amounted to PHP 4.59 Million from 2016's PHP 438 Thousand. Other expenses of PHP 6.29 Million are one-off and is related to the application of the Fund to SEC for the additional authorized share capital.

The Fund was invested mostly in government securities (31.26%), short-term investments (25.19%), other securities and debt instruments (24.04%), cash/cash equivalents net of receivables (14.75%), corporate bonds (4.68%) and fixed income fund (0.08%) only. The fund's duration was actively managed ending the year at 0.57.

For 2018, we expect Philippine inflation to pick up on the back of the newly implemented Tax Reform for Acceleration and Inclusion (TRAIN) law which will see an overhaul of the tax system. The new law will include more goods and services, increase in fuel costs, higher excise tax on vehicles and higher tax on sugar products. On the other hand, we will also expect a higher domestic consumption as an effect of personal tax breaks for low and middle income earners. In addition to the new TRAIN law which will take effect on January 1 of 2018, the government has a massive infrastructure agenda worth US\$170 billion to be spent in six years with 75 flagship projects to be rolled out all over the country and has already allocated 5.4% of GDP for it in 2018. Which will mean that the government will be in need of funding for the several projects lined up, thus, they will be borrowing more than previous years. With expectations of higher inflation coupled with more debt supply, expect that the bond yields, especially the front-end of the curve, to be under pressure. On the positive side, overall, expect GDP to print within 7% to 8% from 2018 to 2022 on the back of the new tax system and massive government spending.

### **Top Performance Indicators**

- a) **Performance vis-à-vis the Benchmark** – The ALFM Money Market Fund is an actively managed money market fund whose objective is capital preservation and stable income by investing in a diversified portfolio of Philippine Peso denominated short-term fixed income and money market instruments. The Fund had a full year return of 1.7299% net of taxes and fees, beating its benchmark by 0.4899%.
- b) **Portfolio Quality** – The Fund's portfolio should, at all times, adhere to the investment parameters as indicated in the Fund's prospectus. The fund was invested mostly in government securities (31.26%), short-term investments (25.19%), other securities and debt instruments (24.04%), cash/cash equivalents net of receivables (14.75%), corporate bonds (4.68%) and fixed income fund (0.08%) only. The fund's duration was actively managed ending the year at 0.57.
- c) **Market Share in the Industry** – ALFM Money Market fund ranked second in terms of market share at 17.2% share of the sector, while Sun Life Prosperity Money Market Fund took a big leap garnering 82.6% market share by year end.
- d) **NAV Growth vis-à-vis Industry Growth** – The Fund's average daily NAV for 2017 was at PHP 5.91 Billion. The money market mutual fund sector is composed of the ALFM Money Market, Sun

Life Money Market and Philam Managed Income funds. The money market fund sector posted a growth of more than 318% while the ALFM Money Market only grew by around 271% for the year. The net asset value of the sector increased to Php 37.80 Billion for the year, where PHP 6.23 Billion growth came from ALFM Money Market.

- e) **Performance vis-a-vis Competition** – The Fund's performance is also compared against the performance of other players in the market. As of December 2017, ALFM Money Market Fund is the second best performing money market mutual fund in terms of net return.

**Finding of SEC's Office of the General Accountant (OGA) upon review of the Fund's Unaudited Interim Financial Statements (UIFS) for the period ended September 30, 2017**

***Components of Financial Statements (Loan Receivable)***

There are no disclosures of the terms and conditions on "loans and receivable".

***Response of Company***

Reclassified as held-to-maturity securities.

**AS OF DECEMBER 31, 2016**

Philippines's 2016 annual GDP accelerated to 6.8% from 5.8% in 2015 on the back of domestic demand and expansionary fiscal policy with emphasis on public infrastructure. Inflation continued to remain subdued, ranging from 1% to 2.5%, which largely benefitted from persistent global low oil prices. In the political front, the country saw a peaceful and democratic change in its national government. Ex-Davao Mayor Rodrigo Duterte was elected in May 2016 as the new President of the Philippines; who promised to ramp up spending in infrastructure, streamline bureaucracy and encourage investment through tax reductions. The new government also vowed to ease up foreign investment and open up various sectors for foreign ownerships.

Despite the strong economic performance of the country, the Philippine local yield curve was quite tumultuous and on average, fell by 10 basis points only for the year. For the first half of the year, the peso yields declined by 102 basis points, only to rise by 92 basis points in the second half of the year. The trajectory rise of the local yields began in July, when the new government was sworn in. The investors suddenly became jittery with the new government's stance in terms of international relations with its long-time ally, the United States of America, and its hard-stance against drugs. Along with the local political change, there was also some unexpected changes abroad. Britain surprised the world when it voted out of the European Union in June which triggered other EU country members call for their own referendums and the United States of America elected its own controversial Donald Trump as its new president, who like President Duterte reveres Russian President Vladimir Putin as a strong man; an unprecedented admiration coming from the most powerful man in the US and Philippines.

The ALFM Money Market Fund is one of the bigger mutual funds in the money market fund segment representing 19.3% of the category. It gave a full year return of 1.14%, net of taxes and fees.

The Fund ended the year with a Net Asset Value (NAV) of PHP 2.29 billion; up from 2015's PHP2.05 billion. The increase in the NAV was due to risk-off sentiment from investors resulting from a volatile fixed income and equities market in 2016.

In terms of Net Asset Value per Share (NAVpS), ALFM Money Market Fund rose by PHP1.30 to end the year at PHP 115.61, from PHP 114.31 per share at the end of 2015. Earnings per share also rose to PHP 1.39 versus prior year's PHP 1.32.

The Fund's portfolio was mostly invested in time deposit instruments and corporate bonds/notes which lent to stability of return. The fund was opportunistic when it increased its exposure in government securities.

2017 will be a challenging year for the fixed income instrument amidst the backdrop of rising interest environment where the US Federal is expected to hike two to three times on the back of strengthening US economy, which might lead to flight from Emerging Markets. Political risks across the globe might also be one of the prevailing theme for the year as we have numerous elections in major countries across Europe. On the local front, foreign investors might play the “wait and see” theme amidst all the President Duterte’s campaign promises such as the tax reform and increase in infrastructure spending, on how they will be effected. The Philippine Peso is expected to depreciate versus the US Dollar in 2017 along with the other Asian currencies. In-line with the US Fed hike, Philippines is also expected to hike 25 basis points to keep up with the rising inflation for the year, which is projected to be on the upper end of the government’s projection of 2%-4%.

### Top Performance Indicators

- a) **Performance vis-à-vis the Benchmark** – The ALFM Money Market Fund is an actively managed money market fund whose objective is capital preservation and stable income by investing in a diversified portfolio of Philippine Peso denominated short-term fixed income and money market instruments. The Fund had a full year return of 1.14% net of taxes and fees, but underperformed its benchmark by 0.27%.
- b) **Portfolio Quality** – The Fund’s portfolio should, at all times, adhere to the investment parameters as indicated in the Fund’s prospectus. The fund was invested mostly in cash and deposit instruments (47.86%), government bonds (16.56%), fixed income funds (1.31%) and corporate bonds (34.27%) only. The fund’s duration was actively managed ending the year at 0.27.
- c) **Market Share in the Industry** – ALFM Money Market fund ranked second in terms of market share at 19.3% share of the sector, while Sun Life Prosperity Money Market Fund took a big leap garnering 80.3% market share by year end.
- d) **NAV Growth vis-à-vis Industry Growth** – The Fund’s average daily NAV for 2016 was at PHP 2.12 Billion. The money market mutual fund sector is composed of the ALFM Money Market, Sun Life Money Market and Philam Managed Income funds. The money market fund sector posted a growth of more than 37.56%. The net asset value of the sector increased to Php 11.88 Bn from Php 8.64 Bn. ALFM Money Market Fund’s NAV increased by 11.71% to Php 2.29 Bn in 2016 from Php 2.05 Bn the previous year.
- e) **Performance vis-a-vis Competition** – The Fund’s performance is also compared against the performance of other players in the market. As of December 2016, ALFM Money Market Fund was the second best performing money market mutual fund in terms of return.

### Finding of SEC’s Office of the General Accountant (OGA) upon review of the Fund’s Audited Financial Statements (AFS) for the period ended December 31, 2016

#### Notes to Financial Statements (Related Party Transactions)

The amount of management fee payable disclosed in Note 7 is not consistent with the amounts indicated in Note 11 and Annex F.

#### Response of Company

Total management fee payable presented in Note 7 consisted of the following:

Related parties:

Management fee payable to BIMl	664,246	
Service fee payable to BPI Capital	<u>1,540</u>	
	665,786	Agreed with related party disclosure (Note 11) and Annex F

Third parties:

Service fee payables to third parties	<u>2,096</u>	
Total	667,882	Agreed with Accrued Expenses disclosure (Note 7)

**Discussion/clarification on the inconsistency of the amount of remunerations paid to directors and officers per Note 11 of the 2013-2015 AFS vis-à-vis page 14 of the SEC Form 17-A as noted by the Office of the General Accountant (OGA) upon review of the Fund's Audited Financial Statements (AFS):**

The Directors and Officers' fees disclosed in SEC Form 17-A of the Fund are net of withholding taxes while the amounts reflected in the Audited Financial Statements (AFS) are the amounts of Directors and Officers' fees gross of withholding taxes.

**Discussion and analysis of material event/s and uncertainties known to the management that would address the past and would have an impact on future operations**

**Any known trends, demands, commitments, events or uncertainties that will have material impact on the issuer's liquidity:**

Liquidity of the fund may be affected by the market's depth or the existence of readily available buyers and sellers in the market.

**Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:**

None

**All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period:**

None

**Any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures:**

None

**Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations:**

None

**Any significant elements of income or loss that did not arise from the issuer's continuing operations:**

The Fund Manager is not aware of any significant element of income or loss that did not arise from the Fund's continuing operations.