

AMENDED PROSPECTUS

PAMI HORIZON FUND, INC.

TWO BILLION (2,000,000,000) SHARES OF COMMON AND VOTING STOCKS OF THE PAMI HORIZON FUND, INC. (PHFI) AMOUNTING TO PHP2,000,000,000.00 AT A PAR VALUE OF PHP1.00 WILL BE OFFERED TO THE PUBLIC AT THE CURRENT NET ASSET VALUE PER SHARE. THE FUND SHALL BE READY TO BUY FROM AND SELL SHARES TO THE PUBLIC IN ANY OF ITS OFFICES AND BRANCHES.

THE FUND'S SHARES WILL NOT BE LISTED WITH THE PHILIPPINE STOCK EXCHANGE AND WILL BE SOLD OVER THE COUNTER. PHILAM ASSET MANAGEMENT, INC. IS THE FUND'S DISTRIBUTOR AND MANAGER.

November 29, 2018

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

PAMI HORIZON FUND, INC.

This Prospectus pertains to the registration and offer to the public of an additional 1,000,000,000 new shares pursuant to the application for increase in authorized capital stock from 1,000,000,000 to 2,000,000,000 common shares which was approved by the Securities and Exchange Commission ("SEC") on May 29, 2007.

The application for an increase in the Company's authorized capital stock was brought about by the Fund's successful distribution activities which is a direct result of the Fund's impressive performance in 2006.

Estimated gross proceeds of the additional 1,000,000,000 shares, if sold at net asset value per share ("NAVPS") (i.e., Php 2.0889) as of September 30, 2007, is Php 2,088,900,000.00. All proceeds will be held by the custodian bank.

The Company plans to use the proceeds from the sale of PHFI shares to build up its investment in equities listed in the Philippine Stock exchange and domestic fixed income instruments. The liability of the shareholders is limited to their investments to the Fund. The Fund's investments are made pursuant to the Investment Restrictions and Guidelines, which are set out in detail in the body of this Prospectus.

The Fund does not plan to invest in foreign securities. However, the SEC, pursuant to SEC Memorandum Circular No. 7, series of 2005, or the "Guidelines on the Evaluation of Foreign Investments by Mutual Fund Companies" allows mutual fund companies to invest up to 100% of its assets in foreign securities.

The Company does not plan to declare dividends¹. Surplus profits of the Company (if any), will be used as additional proceeds to invest in eligible securities.

The Fund is engaged primarily in the business of investing, reinvesting and trading in securities and the sale of its shares. As a licensed open-end investment company, it offers to the public, on a continuing basis, redeemable shares of stock, at a price related to the net asset value of the Fund's portfolio.

The Investment Manager (or "Fund Manager") of the Fund is Philam Asset Management, Inc. (PAMI). As investment manager and principal distributor, PAMI is entitled to a management fee equivalent to a 1/6 of 1% of the average net value of the Fund's assets, computed on a daily basis. Furthermore, PAMI is entitled to an incentive fee equivalent to 1/10 of 1% of the appreciation (whether realized or unrealized) in the value of the Fund's net asset value per share in excess of 12% in any calendar year.

The Fund Manager will also receive from the Fund a sales load fee based on the following schedule:

Investment Amount (in PHP)	Sales Load	VAT on Sales Load (12%)
Less than 100,000	3.0%	0.36%
100,000 to 499,999.99	2.5%	0.30%
500,000 to 999,999.99	2.0%	0.24%
1,000,000 to 4,999,999.99	1.5%	0.18%
5,000,000 to 9,999,999.99	1.0%	0.12%
10,000,000 and above	0.5%	0.06%

This Prospectus includes forward-looking statements. The Company has based these forward-looking statements largely on its current expectations and projections about future

events and financial trends affecting its business and operations. Words including, but not limited to “believes”, “may”, “will”, “estimates”, “continues”, “anticipates”, “intends”, “expects” and similar words are intended to identify forward-looking statements. In light of the risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances in this Prospectus may not occur. The Company’s actual results could differ significantly from those anticipated in the Company’s forward-looking statements.

The Company’s shares are offered solely on the basis of the information contained and the representations made in this Prospectus. No dealer, salesman or other person has been authorized by the Company or the Fund Manager to issue any advertisement or to give any information or make any representation in connection with the offering other than those contained in this Prospectus and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorized by the Company or the Issue Manager.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Company or the Fund Manager to subscribe for or purchase any of the Fund’s Shares. Neither may this Prospectus be used as an offer to, or solicitation by, anyone in any jurisdiction or in any circumstance in which such offer or solicitation is not authorized or lawful. The distribution of this Prospectus and the offer in certain jurisdictions may be restricted by law. Persons who come into possession of this Prospectus are required by the Company and the Fund Manager to inform themselves about, and to observe any, such restrictions.

The Company is a domestic corporation, incorporated on August 8, 1997, with principal business office address² at:

17th FLOOR, NET LIMA BUILDING
5th AVENUE CORNER 26th STREET
BONIFACIO GLOBAL CITY, TAGUIG 1634
TELEPHONE NUMBERS: (632) 521-6300
FAX NUMBERS: (632) 528-5093

Formerly:

5th FLOOR, SALUSTIANA D. TY TOWER
104 PASEO DE ROXAS CORNER NIEVA & PEREA STREETS
LEGASPI VILLAGE, MAKATI CITY 1226
TELEPHONE NUMBERS: (632) 867-39-12 to 18
FAX NUMBERS: (632) 813-68-13 and 18

² On June 14, 2016, the Board of Directors resolved to reflect the change in the principal address of the Fund subject to the approval of its Stockholders with a 2/3 vote during its Annual Shareholders’ Meeting scheduled on July 27, 2017.

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¹ On June 13, 2018, the Board of Directors resolved to amend the general template of the prospectus to standardize all PAMI funds subject to the approval of its Stockholders with a 2/3 vote during its Annual Shareholders' Meeting scheduled on July 25, 2019.

THE PAMI HORIZON FUND, INC.

The PAMI Horizon Fund, Inc. (“PHFI” or the “Fund”) is an open-end investment company incorporated on August 9, 1997 and established in accordance with Republic Act No. 2629, otherwise known as the Investment Company Act (RA 2629) and duly registered with and regulated by the Securities and Exchange Commission.

The Fund will be denominated in Philippine Peso, and its shares will be offered to the public based on its Net Asset Value per Share (NAVPS) with a minimum investment of Php1,000³ and minimum additional investment of Php500.00¹, unless the SEC prescribes otherwise. All sales shall be on a cash basis and installment sales are prohibited.

The investment objective of the Fund is to achieve capital growth and to generate steady income. PHFI is a moderate risk fund that considers a medium to long-term investment horizon for its shareholders.

The Net Asset Value of the Fund will fluctuate with changes in the market value of the Fund's investments. Such changes in market value may occur as a result of various factors, including material changes in the Fund, general economic conditions or interest rate policy changes.

RISKS OF INVESTING

GENERAL RISK WARNING

- The price of securities can and does 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 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. He/she 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 to invest in or the nature of risks involved in trading securities specially those high risk securities.

³ As amended by a majority vote of the Board of Directors during its Regular Meeting on 27 October 2016 at Net Lima Building, 5th Avenue corner 26th Street, Bonifacio Global City, Taguig City and ratified by a majority vote of its stockholders during the Special Shareholders' Meeting held at Net Lima Building, 5th Avenue corner 26th Street, Bonifacio Global City, Taguig City on 13 March 2017.

For a description of the additional risk factors associated with the purchase of the Company's shares, see "Risk Factors" and other information.

PAMI HORIZON FUND, INC. FINANCIAL HIGHLIGHTS

Year Ended December 31	Interim Period Ending Sep 30, 2018 (Unaudited)	2017 (Audited)	2016 (Audited)	2015 (Audited)
Gross Investment Income	-113,635	187,359	40,272	41,571
Operating Expenses	19,202	30,485	43,660	90,359
Provision for Income Tax	3,166	5,020	5,819	5,375
Other Comprehensive Income (Loss)		-9,412	-2,553	-12,634
NET INVESTMENT INCOME (LOSS)	-136,003	142,442	-11,760	-66,797
TOTAL ASSETS	1,033,932	1,257,775	1,302,279	1,469,398
TOTAL LIABILITIES	14,444	17,613	19,799	19,519
NET ASSETS	1,019,488	1,240,162	1,282,480	1,449,879
NAVPS	3.4646	3.9181	3.5110	3.5627

GLOSSARY

Term	Definition
BSP	Bangko Sentral ng Pilipinas
CITI	Citibank, N.A.; the Custodian Bank of PHFI
Isla Lipana	Isla Lipana and Co.; the appointed external auditor of PHFI
NAV	Net Asset Value, which refers to the value of the assets of the fund, less its liabilities
NAVPS	Net Asset Value Per Share, which is computed as NAV divided by the outstanding number of shares
PAMI	Philam Asset Management, Inc.; the Fund Manager of PHFI
PHFI	PAMI Horizon Fund
Philam Life	The Philippine American Life and Insurance Company
PHP or Php	Philippine Peso, which is the currency of the Philippines
PSE	Philippine Stock Exchange
PSEi	Philippine Stock Exchange Index, which is the benchmark of PEIF
SEC	Securities and Exchange Commission

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

RISK FACTORS

The Fund is exposed to financial risk through its financial assets and financial liabilities. The most important components of this financial risk are credit risk, liquidity risk and market risk.

These risks arise from open positions in interest rate which are exposed to general and specific market movements. The risk that the Fund primarily faces due to the nature of its investments is interest rate risk and liquidity risk due to the open-end nature of the fund.

Listed below, in order of importance, is a summary of the above-mentioned risks:

- ❖ **Credit Risk:** Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Fund manages the level of credit risk it accepts through the following: setting up of exposure limits by each counterparty or group of counterparties and industry; right of offset where counterparties are both debtors and creditors; guidelines on obtaining collaterals and guarantees; reporting of credit risk exposures; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

In respect of investment securities, the Fund secures satisfactory credit quality by setting maximum limits of portfolio securities with a single issuer or group of issuers. The Fund also transacts only with institutions with high credit worthiness.

The Fund sets the maximum amounts and limits that may be advanced to/placed with individual corporate counterparties which are set by reference to their long term ratings.

- ❖ **Liquidity Risk:** Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Fund is exposed to daily cash redemptions of its issued shares. It therefore invests the majority of its assets in investments that can be readily disposed of.

The Fund manages liquidity through the following activities: specifies minimum proportion of funds to meet emergency calls; sets up contingency funding plans; specifies the sources of funding and the events that would trigger the plan; determines concentration of funding sources; reports liquidity risk exposures; monitors compliance with liquidity risk policy and reviews the liquidity risk policy for pertinence and changing environment.

It is unusual for a Fund to predict the requirements of funding with absolute certainty as theory of probability is applied on contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amounts and maturities in respect of liabilities are thus based on management's best estimate based on statistical techniques and past experience.

- ❖ **Market Risk:** Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is

caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Fund structures levels of market risk it accepts through a market risk policy that determines the following: what constitutes market risk for the Fund; basis used to fair value financial assets and liabilities; asset allocation and portfolio limit structure; diversification benchmarks by type of instrument; the net exposure limits by each counterparty or group of counterparties and industry segments; control over hedging activities; reports market risk exposures; compliance with market risk policy and review of market risk policy for pertinence and changing environment.

Since the transactions of the Fund are generally carried out in its functional currency, its exposure to currency risk is minimal. Likewise, since the Fund is established to invest in fixed-income securities, it is not exposed to cash flow interest rate risk and price risk.

- ❖ **Interest Rate Risk:** Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Fund to cash flow interest risk, whereas fixed interest rate instruments expose the Fund to fair value risk. The Fund's fixed rate investments and receivables in particular are exposed to fair value risk.

The Fund's market risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial liabilities.

- ❖ **Price Risk:** Price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally FVPL equity securities.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Fund's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investment, diversification plan and limits on investments.

Please find below additional risk control techniques that PAMI employs in the process:

1. **Team approach to decision making:** PAMI applies a team approach to account management. PAMI always assigns two portfolio managers per account to have a back-up in case of absence. Decisions on most trades involve an analyst, trader, and two portfolio managers, therefore enforcing quality and consistency in our decisions.
2. **Industry review:** Once a quarter, every industry in the investment grade universe is reviewed. The objective is to formulate an outlook for each industry. The portfolio managers in conjunction with the traders will then determine from this review what the appropriate industry weightings will be for the next 3 months. This way we maintain consistency in industry weightings across portfolios and time.
3. **Investment Committee:** The Committee meets quarterly and reviews all new purchases. Written and oral presentations are given on new issuers added to the portfolios. Also, even though PAMI's clients' portfolios are constrained by their

investment guidelines, PAMI applies a consistent investment process across all accounts. This practice further ensures the alignment of interest with our clients.

4. Performance risk: This is managed through the independent production of performance data by a separate performance department. That data is distributed monthly to all portfolio managers, as well as senior management. Pricing of portfolios is carried out by the back office, independently of the portfolio managers. The PAMI Performance Team runs performance attribution for the investment teams using Wilshire Axiom. These reports help PAMI analyze the sources of our return and value added.

The Team uses Bloomberg Asset and Investment Manager to monitor existing positions and risk exposures.

All holdings and individual security characteristics, including duration, call data, book value, and yield are analyzed for each portfolio. This system is used to view the key structural parameters of a portfolio. The system provides on a daily basis: index weightings; summary statistics; access to specific holdings; and comparisons between each portfolio and its index benchmark.

Investment risk (for example, tracking error, position size, diversification, etc.) is tracked utilizing a number of external systems as well as internal proprietary systems and frameworks. PAMI uses an approach whereby total tracking error at any given time is subdivided in a variety of sources. The aim is to ensure the ordering of tracking error contributions reflects both diversification and the confidence level in the views that prompt us to take on each source of risk.

Other Risk Management Policies

- Fiduciary duty

In managing client portfolios, PAMI has a fiduciary responsibility to treat clients fairly. This duty requires a course of conduct, consistent with other statutory and regulatory obligations, that seeks to be prudent and in the client's best interest. When there is a conflict of interest between PAMI and a client, PAMI must make full disclosure to the client, and in certain instances, obtain the client's informed consent prior to pursuing a course of action.

Accordingly, employees and officers of PAMI are required to report to Compliance any activities that appear to violate any laws or the Compliance Manual. PAMI has a policy of non-retaliation, so employees may report apparent violations without fear that such action will have a negative impact on their career in the company. Reports of apparent violations may be made anonymously with Compliance.

FUND FEATURES

Investment Objective

The investment objective of the Fund is to achieve capital growth and to generate steady income. The Fund will be benchmarked against a 40% Bloomberg Philippine Sovereign Bond Index AI + 50% Philippines Stock Exchange Index (Total Return) + 10% Philippines 30-day Saving Rate (Net of 20% WHT).

Investment Plans

PHFI will invest in equities listed in the Philippine Stock Exchange, and domestic fixed income instruments.

Shares Offered

The Company's shares are redeemable common stocks (one class of shares only).

INVESTMENT RESTRICTIONS

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. Index funds shall not be subject to investment limitations under this provision, provided, they comply with the following requirements:
 - i. Comprise eligible assets;

- ii. Diversified such that the maximum weight per constituent does not exceed thirty percent (30%) of the index or the underlying securities should have the same weights as the index;
 - iii. Developed by an independent and reputable agency, and based on a recognized and accepted methodology;
 - iv. Represent an adequate benchmark for the market which is widely accepted in international financial markets;
 - v. Index value is published daily through media, which disseminate information in a timely manner and is accessible either publicly or on a subscription basis; and
 - vi. Information on the index is published daily and readily accessible
- f. 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;
- g. 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;
- h. 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.
- i. The MFC shall be prohibited from investing in the securities it is issuing.
- j. 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.
- k. The Investment Company shall not engage in short selling;
- l. 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

Eligible Applicant

Shares of the Fund may be held by any person of legal age or any duly organized and existing corporation, partnership, or any other legal entity regardless of citizenship or nationality. If the applicant is a corporation, partnership or other legal entity, copies of the articles of incorporation and by-laws, certificate of registration and the resolution of the applicant's Board of Directors authorizing the investment, all duly certified, must be submitted with the application.

Offering Price

The Company's shares shall be sold at NAVPS for the banking day, if payment is made within the daily cut-off time; otherwise, the NAVPS on the following banking day will be used if payment is made after the daily cut-off time plus an entry fee or sales load depending on the investment amount. The daily cut-off time will be 12:00 noon of a banking day. A banking day is defined as a day when commercial banks in Metro Manila are not required or authorized to close by law.

Sales Load

Sales commission will be paid to the investor's mutual fund dealer when shares of the Fund are bought. Under this purchase option, the investor may redeem his shares free of charge after the minimum holding period of 6 months has been satisfied. The commission shall not exceed 3% of the investor's total purchase.

Total Investment Amount (in Php)	Sales Load	Sales Load with VAT
less than 100,000	3%	3.36%
100,000 – 499,999.99	2.5%	2.80%
500,000 – 999,999.99	2%	2.24%
1 M – 4.99M	1.5%	1.68%
5 M – 9.99M	1%	1.12%
10M & up	0.5%	0.56%

Dividend Policy

Surplus profits of the Company (if any), will be used as additional proceeds to invest in eligible securities. The Company does not plan to declare cash dividends.⁴

Under the Investment Company Act, it shall be unlawful for the Company to pay any dividend, or make any distribution in the nature of a dividend payment, wholly or partly from any source other than: (i) from the Company's accumulated undistributed net income, determined in accordance with good accounting practice and including profits or losses realized upon the sale of securities or properties; or (ii) from the Fund's earned surplus so determined for the current or preceding fiscal year, unless such payment is accompanied by a written statement which adequately discloses the source or sources of such payment. The SEC may prescribe the form of such statement by rules or regulations or by order in the public interest and for the protection of investors. It shall also be unlawful to advertise such dividends in terms of centavos or pesos per share without also stating the percentage they bear to the par value per share.

⁴ As amended by a majority vote of the Board of Directors during its Regular Meeting on 27 October 2016 at Net Lima Building, 5th Avenue corner 26th Street, Bonifacio Global City, Taguig City and ratified by a majority vote of its stockholders during the Special Shareholders' Meeting held at Net Lima Building, 5th Avenue corner 26th Street, Bonifacio Global City, Taguig City on 13 March 2017.

PROCEDURES IN THE SUBSCRIPTION AND REDEMPTION OF SECURITIES

Opening an Account

Any qualified investor may purchase the Fund shares, through the principal distributor, PAMI, or through any authorized investment solicitor.

Opening an account requires filling-out, disclosing and presenting the following information and documents:

1. Individual Accounts

- Client Information Sheet (CIS) for the primary, secondary and principal investors, including Bureau of Internal Revenue (BIR) Tax Identification Number (TIN)
- Subscription Transaction Form (STF)
- Photocopy of one (1) valid ID with photo from each “AND” and “OR” joint investors (authenticated copy)

Examples of acceptable IDs issued by an official authority as contained in the CIS are listed below.

1. Bureau of Internal Revenue (BIR) Tax Identification No. (TIN) I.D.
2. Department of Foreign Affairs I.D.
3. Social Security System (SSS) I.D.
4. Government Service Insurance System (GSIS) I.D.
5. Philippine Health Insurance Corp. (Philhealth) I.D.
6. Home Development Mutual Fund (PAG-IBIG) I.D.
7. Commission on Election (COMELEC) Voters I.D.
8. Philippine Regulatory Commission (PRC) I.D.
9. Philippine Postal Office I.D.
10. Land Transportation Office (LTO) Driver's License
11. Philippine Passport
12. Barangay Office or Center I.D.

- Copy of FAO form if the account is for minors

The receiving agent, PAMI sales or sales & administrative assistant personnel should confirm that the original IDs were personally shown to him by writing in the STF the statement: *ID authenticated by “name of receiving personnel”* and affixing his signature after the statement.

2. Corporate Accounts

- Client Information Sheet (CIS) for corporate accounts, including Bureau of Internal Revenue (BIR) Tax Identification Number ID
- Subscription Transaction Form (STF)
- Articles of Incorporation or Partnership
- By-laws
- Board Resolution or Secretary's Certificate to invest in the Fund
- Board Resolution or Secretary's Certificate on the authorized signatories
- Latest General Information Sheet
- Contact numbers
- Sworn statement as to the existence or non-existence of beneficial owners

- Verification of the authority and identification of the person purporting to act on behalf of the client

The receiving agent, PAMI sales or sales & administrative assistant personnel should confirm that he has verified the authority and identification of the person transacting in behalf of the corporate client by writing in the IAF: *“Capacity of Mr. X to transact in behalf of “name of company” authenticated by “name of receiving”* and affixing his signature after the statement.

Additional Investment

To add to an existing account, a STF is accomplished and, together with the check or payment order, submitted to the account manager. For existing joint, any one of the investors can add to the investment and sign the documents. To add to an existing account, an STF should be accomplished and, together with the cash, check or payment order, submitted to a PAMI Certified Investment Solicitor or thru any of the PAMI branches nationwide. For existing joint accounts, any one of the investors may add to the investment and sign the STF documents.

Additional investments can also be made over-the-counter and via online thru any of the cash management banks designated as such by PAMI.

Acceptance of Applications

Applications to purchase are subject to confirmation by PAMI as to the amount of shares, the applicable NAVPS and the final approval by the investment manager. Applications that do not comply with the purchase terms, rules and regulations may be rejected at the sole discretion of the Fund Manager.

PAMI reserves the right to reject subscriptions, or to restrict purchases by an investor, when such purchase is disruptive to the interests of the other shareholders and management of the Fund as determined by the Fund Manager. The subscription amount will be returned to the investor without interest and after deducting applicable bank charges, within five business days.

Determination of NAVPS

The offering price of one share is the Fund’s NAVPS plus an entry fee or sales load and any applicable taxes. The NAVPS is normally calculated as of 8:00 P.M. of each banking day. It is determined by taking the fair value of the Fund’s total assets less all liabilities and divided by the total number of shares outstanding. Other trades which do not meet the custodian’s cut-off time are deemed to have been received the following banking day. Income and expenses are accrued daily and applied when computing for the NAVPS.

Issuance of Stock Certificates

A letter confirming the investment will be given to the shareholder upon approval of the investment application. Stock certificates evidencing ownership of shares shall only be issued by the transfer agent upon the written request of the shareholder and delivered after approval of the application to purchase and receipt of payment, at the address of the investor indicated in the official application to purchase or, upon instruction, to PAMI. Costs of issuance of stock certificates shall be borne by the shareholder.

Should shareholders opt not to receive stock certificates, these shall remain in the custody of the transfer agent.

Statements and Reports

Investors will receive a statement of account on a periodic basis. PAMI shall also send reports, fund updates, fund manager reports and various information materials on a periodic basis to apprise investors of the outlook and performance of the Company and its funds. Upon the request of the investor, PAMI shall issue certifications, for a fee, and annual reports, which can also be viewed or downloaded from the PAMI website.

NAVPS Computation

NAVPS is defined as the difference of total assets of the Fund less its total liabilities, divided by the number of shares outstanding. The Fund shall compute the NAVPS daily. The price of the Fund will be posted on a conspicuous place in the principal office of the Company and published daily in at least two newspapers of general circulation in the Philippines.

MANNER & METHOD OF REDEMPTION

How to Redeem

Shareholders can file their redemption request forms in any PAMI office. Redemption from the Fund requires filling-out, disclosing and presenting the following information and documents:

- Redemption Request Form (RRF)
- 1Valid ID (for walk-in redemptions)

The receiving agent, PAMI sales or sales & administrative assistant personnel should make sure that the forms are completely filled-out with the client's signature affixed on the RRF and SAF. Redemption may also be made via e-mail with an e-mail waiver. Redemption proceeds will be available seven working days after the transaction date.

Amount of Redemption

Shareholders can redeem their shares in part or in full. Partial redemption is allowed if the value of the remaining shares do not go below the prescribed minimum initial investment or Php1,000.00, whichever is lower. Otherwise, full redemption shall be applied.

Redemption

The price of securities surrendered for redemption within the daily cut-off time shall be the current banking day's NAVPS after the redemption is received, while those surrendered after the daily cut-off time shall be deemed to have been received the following banking day. The daily cut-off time for redemption shall be 12:00 o'clock noon. Payment shall be made no later than seven (7) days from receipt of redemption request, at the principal office of the investment manager.

Claim of Payment for Redeemed Shares

A shareholder must bring a proper ID. In case of a proxy, an authorization letter should accompany the ID of the duly authorized person.

Together with the check, shareholders may be given a copy of the redemption request form upon request.

Redemption Fee

The applicable holding period is six (6) months. Redemptions made within six (6) months are subject to an exit fee of no more than 1% (exclusive of twelve percent VAT) of the redemption proceeds. Redemption fee is based on the following schedule:

Placement Period	Exit Fee	12% VAT on Exit Fee	Exit Fee + 12% VAT
Less than six (6) months	1.00%	0.12%	1.12%
Six months and above	0.00%	0.00%	0.00%

Special Considerations

The Fund shall not suspend the right of redemption or postpone the date of payment or satisfaction upon redemption of any redeemable security for more than seven banking days after the tender of such security to the Company, except on 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 Company of securities owned by it is not reasonably practicable or (b) it is not reasonably practicable for the Company 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 Company.
4. The Commission may, whenever necessary or appropriate in the public interest and for the protection of investors, suspend the redemption of securities of open-end investment companies.

Note: Shareholders can file their redemption request forms in any PAMI office.

USE OF PROCEEDS

The Company plans to use the proceeds from the sale PHFI shares to build up its investment in equities listed in the Philippine Stock Exchange and domestic fixed income instruments.

Estimated gross proceeds of the additional PHFI shares, if sold at NAVPS (i.e., Php 2.0889) as of September 30, 2007, is Php 2,088,900,000.00. In accordance with the SEC's Investment Restrictions and Guidelines, the following table lists the estimated expenses pertaining to the Fund's issuance and distribution as well as the estimated net proceeds from the sale of the PHFI shares.

PARTICULARS	AMOUNT
Estimated Gross Proceeds	2,088,900,000
Less: Estimated Expenses	
SEC Registration & Filing Fees	3,050,097
Documentary Stamp Taxes	5,000,000
Legal Fees	300,000
Management Fees	38,759,400
Directors Fees	322,000
Advertising (Print)	50,000
Sales & Marketing	50,000
Prospectus, Letters & Envelopes	55,000
Postage	25,000
<i>Total Estimated Expenses</i>	47,611,497
Estimated Net Proceeds	2,041,288,503

No material amount of the proceeds will be used to acquire or finance the acquisition of other businesses. The proceeds will not be used to discharge debt or reimburse any officer, director or shareholder for services rendered, assets previously transferred, money advanced or otherwise, or any other expenses. The proceeds derived by the Fund from the sale of its shares will be held by the custodian bank.

DETERMINATION OF OFFERING PRICE

The offering price of one share is its NAVPS plus the entry fee or sales load together with twelve percent (12%) Value Added Tax (V.A.T.). The Fund's investing and trading activities on the trade date shall be included in the NAVPS calculation on the same day. Other trades which do not meet the custodian's cut-off time are included in the NAVPS calculation one business day from trade date (T+1). Total number of shares subscribed to and redeemed from the Fund will be included in the NAVPS calculation one (1) day after the day of transaction. The daily cut-off time shall be 12 o'clock noon of a banking day. A banking day is defined as a day when commercial banks in Metro Manila are not required or authorized to close by law.

PLAN OF DISTRIBUTION

Based on the Management & Distribution Agreement, PAMI functions only as the principal distributor of the Fund. PAMI does not have any arrangement to designate or nominate a member or members of the board of directors of the Fund. Similarly, PAMI does not have the right to designate or sell shares to specified persons.

The Market Regulation Department of SEC issued PAMI its license for the year 2018 to operate as an Investment Company Adviser, subject to the provisions of the Investment

Company Act, the Securities Regulation Code and its implementing rules and regulations, as well as other pertinent laws, rules and regulations applicable.

Also licensed by the SEC to engage in the distribution of securities to the public, PAMI will directly distribute Fund shares through its licensed account managers and sales officers. Campaigns will utilize print media, direct mailers, and telemarketing. Promotions will be directed at both the distribution channels and the retail investor.

As investment manager and principal distributor, PAMI is entitled to a management fee equivalent $\frac{1}{6}$ of 1% of the average net value of the Fund's assets, computed on a daily basis. Furthermore, PAMI is entitled to an incentive fee equivalent to $\frac{1}{10}$ of 1% of the appreciation (whether realized or unrealized) in the value of the Fund's net asset value per share in excess of 12% in any calendar year.

DESCRIPTION OF SECURITIES TO BE REGISTERED

PHFI was incorporated with an authorized capital stock of One Billion Pesos (Php1,000,000,000.00), divided into one billion redeemable common shares with par value of One Peso (Php1.00) for each share.

On 19 January 2004, the Board of Directors of the Fund, by a vote of the majority of all its members, resolved to increase PHFI's authorized capital stock from One Billion Pesos (Php1,000,000,000.00) to Two Billion Pesos (Php2,000,000,000.00). In a stockholders' meeting held on 1 March 2004, the stockholders owning or representing at least two-thirds of the outstanding capital stock of the Fund, approved the proposed increase in PHFI's authorized capital stock.

On 29 May 2007, the SEC approved the Amended Articles of Incorporation of PHFI thereby increasing its authorized capital stock to Two Billion Pesos (Php2,000,000,000.00), divided into two billion (2,000,000,000) shares with par value of One Peso (Php1.00) per share. Of the increase in the authorized capital stock, one billion (1,000,000,000) new shares will be offered to the public with an offer price equivalent to the Net Asset Value per Share ("NAVPS") plus an entry fee or sales load.

Each share of the Company's stock is a voting stock with voting rights equal to every other outstanding stock. Furthermore, each share of stock is subject to the following rights:

1. Right of Redemption at NAVPS
2. Power of Inspection
3. Right to Information
4. Right to Dividends
5. Appraisal Right

However, each share of the Company's stock is subject to the following restrictions:

1. Waiver of pre-emptive rights – No stockholder shall, because of his ownership of stock, have a pre-emptive or other right to purchase, subscribe for, or take any part of any stock or of any other securities convertible into or carrying options or warrants to purchase stock of the Corporation.
2. Restriction on transfer – No transfer of stock of the Corporation which would reduce the stock ownership or equity interest of Filipino citizens to less than the percentage required by applicable laws or regulations shall be caused or allowed to be recorded in the proper books of the Corporation.

There is no provision in the Company's Articles of Incorporation or By-Laws that would delay, deter, or prevent a change in control of the registrant.

The Company has not sold any unregistered or exempt securities and is prohibited from selling these types of securities. Hence, no exceptions from registration were claimed nor were there any dealings with underwriters to that effect.

CORPORATE PROFILE OF PFI

PHFI is a stock corporation incorporated on August 8, 1997. The Company's sole product is shares (securities) of PHFI. PAMI will directly distribute the Fund's shares.

PHFI is an open-ended mutual fund whose shares will be offered to the public at net asset value.

There are currently 61 registered mutual funds in the industry with over Php267B in assets under management. The principal method of competition within the mutual fund industry is performance and service. PHFI belongs in the peso-denominated balanced fund

The following table summarizes a comparison of PHFI against its competitors for January to August 2018⁵:

FUND NAME	SALES	REDEMPTIONS	NET SALES
ATRAM Dynamic Allocation Fund, Inc. (formerly, <i>Optima Balanced Fund, Inc.</i>)	850,764.54	3,053,909.25	(2,203,144.71)
ATRAM Philippine Balanced Fund, Inc. (formerly, <i>ATRKE Philippine Balanced Fund, Inc.</i>)	31,225,341.15	362,476,091.59	(331,250,750.44)
First Metro Save and Learn Balanced Fund, Inc.	75,837,146.21	148,568,385.25	(72,731,239.04)
Grepalife Balanced Fund Corporation (formerly, <i>Grepalife Bond Fund, Inc.</i>)	667,503.00	17,222,776.00	(16,555,273.00)
NCM Mutual Fund of the Phils., Inc.	30,912,046.24	46,955,468.36	(16,043,422.12)
PAMI Horizon Fund, Inc.	10,268,688.31	90,668,766.79	(80,400,078.48)
Philam Fund, Inc.	595,834,116.77	546,042,190.42	49,791,926.35
Solidaritas Fund, Inc. (formerly, <i>Bahay Pari Solidaritas Fund, Inc.</i>)	314,988.35	14,192,929.82	(13,877,941.47)
Sun Life Prosperity Balanced Fund, Inc.	1,479,970,493.80	1,962,040,592.47	(482,070,098.67)
Sun Life Prosperity Dynamic Fund, Inc.	(0.19)	384,124,966.73	(384,124,966.92)

The following table summarizes a comparison of PHFI against its competitors for January to December 2017⁶:

FUND NAME	SALES	REDEMPTIONS	NET SALES
ATRAM Dynamic Allocation Fund, Inc.	2,078,536.08	7,239,636.53	(5,161,100.45)

⁵ Source: Philippine Investment Funds Association, Inc. (PIFA)

⁶ Source: Philippine Investment Funds Association, Inc. (PIFA)

(formerly, Optima Balanced Fund, Inc.)			
ATRAM Philippine Balanced Fund, Inc. (formerly, ATRKE Philippine Balanced Fund, Inc.)	139,505,870.59	670,051,142.08	(530,545,271.49)
Bahay Pari Solidaritas Fund, Inc.	0.00	11,002,734.46	(11,002,734.46)
First Metro Save and Learn Balanced Fund, Inc.	159,139,311.07	349,576,401.19	(190,437,090.12)
Grepalife Balanced Fund Corporation (formerly, Grepalife Bond Fund, Inc.)	838,000.00	27,716,703.00	(26,878,703.00)
NCM Mutual Fund of the Phils., Inc.	461,531,576.74	473,761,389.44	(12,229,812.70)
PAMI Horizon Fund, Inc.	29,040,863.91	213,472,089.68	(184,431,225.77)
Philam Fund, Inc.	1,280,497,138.70	1,291,725,677.29	(11,228,538.59)
Sun Life Prosperity Balanced Fund, Inc.	882,428,821.12	2,908,454,070.81	(2,026,025,249.69)
Sun Life Prosperity Dynamic Fund, Inc.	0.00	695,973,050.73	(695,973,050.73)

The following table summarizes a comparison of PHFI against its competitors for January to December 2016⁷:

FUND NAME	SALES	REDEMPTIONS	NET SALES
ATRAM Dynamic Allocation Fund, Inc. (formerly, Optima Balanced Fund, Inc.)	1,876,380.29	9,161,686.13	(7,285,305.84)
ATRAM Philippine Balanced Fund, Inc. (formerly, ATRKE Philippine Balanced Fund, Inc.)	112,651,103.41	712,606,826.51	(599,955,723.10)
Bahay Pari Solidaritas Fund, Inc.	299,999.32	15,554,494.80	(15,254,495.48)
First Metro Save and Learn Balanced Fund, Inc.	85,710,137.37	184,402,383.76	(98,692,246.39)
NCM Mutual Fund of the Phils., Inc.	264,448,245.97	380,910,009.71	(116,461,763.74)
PAMI Horizon Fund, Inc.	145,251,723.75	299,107,090.27	(153,855,366.52)
Philam Fund, Inc.	1,426,589,643.41	976,272,843.06	450,316,800.35
Sun Life Prosperity Balanced Fund, Inc.	1,142,931,385.75	3,091,462,276.38	(1,948,530,890.63)
Sun Life Prosperity Dynamic Fund, Inc.	0.00	308,713,759.07	(308,713,759.07)

PHFI can compete very well with all the other balanced funds given PAMI's financial muscle and distribution capabilities

⁷ Source: Philippine Investment Funds Association, Inc. (PIFA)

We believe that the Fund will perform well in terms of both yield and sales. Furthermore, the Fund's cash flow facility will be a major differential advantage that will attract long-term investors.

As investment manager, PAMI is tasked to provide and render management and technical services to the Fund. PAMI also functions as the principal distributor of the Fund. As such, it takes charge of sales of the Company's shares to prospective investors. Through its Management and Distribution Agreement with the Fund, the guidelines for the management of the resources and operations by PAMI are set.

The management fee to be charged by PAMI is a maximum of 2% per year. The management fee to be charged will be set at the start of each quarter and will remain constant for the duration of the calendar quarter. PAMI will vary the entry fee depending on the Fund's performance in order to provide shareholders with reasonable returns on their investments. A sales load of not more than 3.0% will also be charged. No-load arrangements can be negotiated with institutional investors on a case-to-case basis.

The Custodial Agreement establishes the relationship among the Fund, PAMI and Citibank, N.A., with Citibank, N.A. as the custodian bank. The Custodial Agreement covers the custodian bank's duties on receipt of securities, identification and segregation of assets, registration of assets, reports and records to be accomplished by the custodian bank, and custody of the Fund's investments.

The transfer agent of the Fund is Philam Asset Management, Inc. (PAMI). The primary responsibility of PAMI is the accurate record keeping of individual shareholdings and the issuance and cancellation of stock certificates in the Company.

MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDERS' MATTERS

Market Information

Net Asset Value Per Share Per Quarter

QTR		YEA R	DATE	NAVPS	YEA R	DATE	NAVPS	YEAR	DATE	NAVPS	YEAR	DATE	NAVPS
1	LOW	2015	5-Jan	3.7488	2016	21-Jan	3.3346	2017	3-Jan	3.4923	2018	21-Mar	3.6923
	HIGH		31-Mar	3.9411		30-Mar	3.6890		27-Jan	3.6475		29-Jan	4.0525
2	LOW		9-Jun	3.7233		5-May	3.6234		3-Apr	3.6107		25-Jun	3.4411
	HIGH		10-Apr	4.0006		30-Jun	3.8445		7-Jun	3.7787		12-Apr	3.7511
3	LOW		25-Aug	3.5705		27-Sep	3.7838		4-Jul	3.7291		20-Sep	3.4532
	HIGH		23-Jul	3.8177		21-Jul	3.9481		18-Sep	3.8687		4-Sep	3.6720
4	LOW		15-Dec	3.4916		23-Dec	3.4260		4-Dec	3.7931			
	HIGH		26-Oct	3.7086		3-Oct	3.8047		16-Oct	3.9332			

Holders

As of September 30, 2018, there were a total of 11,803 shareholders of redeemable common stock (one class of shares only) totaling 294,254,787 shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

OPERATIONAL HIGHLIGHTS/PERFORMANCE INDICATORS

1. Assets Under Management

Interim Period Ending September 30, 2018 vs. FY 2017

PHFI's AUM decreased by Php 220.67 million from 2017's Php 1.24 billion to Php 1.01 billion as of September 30, 2018.

FY 2017 vs. FY 2016

PHFI's AUM decreased by Php 42.32 million from 2016's Php 1.28 billion to Php 1.24 billion as of December 31, 2017.

FY 2016 vs. FY 2015

PHFI's AUM decreased by Php 167.4 million from 2015's Php 1.5 billion to Php 1.28 billion as of December 31, 2016.

2. Net Asset Value per Share per Quarter

The following table summarizes the quarters' Net Asset Value Per Share (NAVPS) highs and lows:

QTR		YEAR	DATE	NAVPS	YEAR	DATE	NAVPS	YEAR	DATE	NAVPS	YEAR	DATE	NAVPS
1	LOW	2015	5-Jan	3.7488	2016	21-Jan	3.3346	2017	3-Jan	3.4923	2018	21-Mar	3.6923
	HIGH		31-Mar	3.9411		30-Mar	3.6890		27-Jan	3.6475		29-Jan	4.0525
2	LOW		9-Jun	3.7233		5-May	3.6234		3-Apr	3.6107		25-Jun	3.4411
	HIGH		10-Apr	4.0006		30-Jun	3.8445		7-Jun	3.7787		12-Apr	3.7511
3	LOW		25-Aug	3.5705		27-Sep	3.7838		4-Jul	3.7291		20-Sep	3.4532
	HIGH		23-Jul	3.8177		21-Jul	3.9481		18-Sep	3.8687		4-Sep	3.6720
4	LOW		15-Dec	3.4916		23-Dec	3.4260		4-Dec	3.7931			
	HIGH		26-Oct	3.7086		3-Oct	3.8047		16-Oct	3.9332			

3. Sales and Redemption

The following table summarizes the performance of PFI for January to August 2018⁸ (in Php):

FUND NAME	SALES	REDEMPTIONS	NET SALES
PAMI Horizon Fund, Inc.	10,268,688.31	90,668,766.79	(80,400,078.48)

The following table summarizes the performance of PFI for January to December 2017⁹ (in Php):

FUND NAME	SALES	REDEMPTIONS	NET SALES
PAMI Horizon Fund, Inc.	29,040,863.91	213,472,089.68	(184,431,225.77)

⁸ Source: Philippine Investment Funds Association (PIFA)

⁹ Source: Philippine Investment Funds Association (PIFA)

The following table summarizes the performance of PFI for January to December 2016¹⁰ (in Php):

FUND NAME	SALES	REDEMPTIONS	NET SALES
PAMI Horizon Fund, Inc.	145,251,723.75	299,107,090.27	(153,855,366.52)

4. Fund Performance Against Competition

The following table summarizes a comparison of PHFI against its competitors for January to August 2018¹¹:

FUND NAME	SALES	REDEMPTIONS	NET SALES
ATRAM Dynamic Allocation Fund, Inc. (formerly, Optima Balanced Fund, Inc.)	850,764.54	3,053,909.25	(2,203,144.71)
ATRAM Philippine Balanced Fund, Inc. (formerly, ATRKE Philippine Balanced Fund, Inc.)	31,225,341.15	362,476,091.59	(331,250,750.44)
First Metro Save and Learn Balanced Fund, Inc.	75,837,146.21	148,568,385.25	(72,731,239.04)
Grepalife Balanced Fund Corporation (formerly, Grepalife Bond Fund, Inc.)	667,503.00	17,222,776.00	(16,555,273.00)
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Sun Life Prosperity Dynamic Fund, Inc.	(0.19)	384,124,966.73	(384,124,966.92)

The following table summarizes a comparison of PHFI against its competitors for January to December 2017¹²:

FUND NAME	SALES	REDEMPTIONS	NET SALES
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ATRAM Philippine Balanced Fund, Inc. (formerly, ATRKE Philippine Balanced Fund, Inc.)	139,505,870.59	670,051,142.08	(530,545,271.49)
Bahay Pari Solidaritas Fund, Inc.	0.00	11,002,734.46	(11,002,734.46)

¹⁰ Source: Philippine Investment Funds Association (PIFA)

¹¹ Source: Philippine Investment Funds Association, Inc. (PIFA)

¹² Source: Philippine Investment Funds Association, Inc. (PIFA)

First Metro Save and Learn Balanced Fund, Inc.	159,139,311.07	349,576,401.19	(190,437,090.12)
Grepalife Balanced Fund Corporation (formerly, Grepalife Bond Fund, Inc.)	838,000.00	27,716,703.00	(26,878,703.00)
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Sun Life Prosperity Dynamic Fund, Inc.	0.00	695,973,050.73	(695,973,050.73)

The following table summarizes a comparison of PHFI against its competitors for January to December 2016¹³:

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PAMI Horizon Fund, Inc.	145,251,723.75	299,107,090.27	(153,855,366.52)
Philam Fund, Inc.	1,426,589,643.41	976,272,843.06	450,316,800.35
Sun Life Prosperity Balanced Fund, Inc.	1,142,931,385.75	3,091,462,276.38	(1,948,530,890.63)
Sun Life Prosperity Dynamic Fund, Inc.	0.00	308,713,759.07	(308,713,759.07)

5. FUND MANAGEMENT & ENVIRONMENTAL ANALYSIS

Market and Economic Review

- Philippine inflation accelerated to 9year high, boosted by the confluence of (1) the strong dollar dragging the Peso to 11year low to above \$/Php54, (2) crude oil breaking \$70/barrel and (3) a series of typhoon disturbances in the period that aggravated the price of food. The BSP raised policy rates by another 100 bps to lift the key borrowing rate to 4.5% recognizing the need to contain inflation, stabilize the currency and remedy the negative-carry on bond investments.
- While the expectation for inflation to ease remains intact, the upward revision of the government's inflation estimate to 5.2% (from 4.5%) for 2018 and 4.3% (from 3.7%) average for 2019 demanded additional inflation risk premium to fixed income assets.

¹³ Source: Philippine Investment Funds Association, Inc. (PIFA)

- Bond yields (2Y-25Y) rose by an average of 2.25% (225 bps) year to date or 1.16% (116 bps) higher compared to the 2nd quarter. The spread between 10-year versus 2-year bond narrowed to 1.04% (104 bps) as short term rates increased more relative to longer duration bonds.
- The BSP is scheduled to meet two more times before the year ends. Another 25 to 50 bps hike to bring key policy rate at or near 5% will not surprise the market but a delay may induce a rally, barring bond-negative external developments.
- Benchmark 10year FXTN10-63 traded at 7.25%, up from 6.41%, in June. The Bloomberg median forecast for 10year bond increased to 6.3% from previous 5.9% estimate last quarter. Emerging value in the rates market present opportunity to accumulate as inflation is expected to moderate in the months ahead.
- PSEi : 7276.82, QTD +1.42%, YTD Q3 : -13.83%
Reprieve is the word to sum up Q3 of 2018. After continuous months and 2 straight quarters of decline, the PSEi ended September on a positive note. Quite a big surprise when majority of the economic indicators have showed deterioration. So, a large part of the optimism was expectation of improvements moving forward, especially on the inflation side. A big change for the quarter was the language of the BSP. They went from denying inflation to acknowledging the risks, being hawkish with monetary policy and adjusting their own forecasts closer to reality. This determined effort of the BSP is backstopped by other government agencies also pledging measures to tame inflation i.e. Congress to pass the Rice Tarification Bill by the 4Q. Q3 saw an acceleration in inflation with July, Aug and Sept CPI printing 5.7%, 6.4%, and 6.7%. This brought YTD inflation rate to 5.2%, far higher than the BSP expectation of a 2-4% range. Hopefully, inflation will peak by October and not to exceed 7.0% to carry on the momentum in the 4Q.
- The PSEi can be characterized as struggling to rise. Global issues such as US interest hike, trade war, EM risk-off to name a few continue to weigh down on the shoulders of the local index. On the local front, trade balance has also showed continued bias towards the deficit. Average deficit for the quarter was around \$3.5Bn with import growing at an average of 22.4% while exports shrinking by an average of 1.2%. GDP during the quarter was also weaker, printing 6% versus the previous quarter figure of 6.7%.
- The September PSEi rise in our view is exhibiting a case of a dead cat bounce, which should be looked at positively. A bounce that should be supported at the 6900 level. The 6900 level which is about 15x PE on a forward EPS basis is already 2 standard deviations below the 5-year PE of the market. The top of the bounce can be as high as the 7600 level. However, absent an improvement in the economic fundamentals of the country, the most is a consolidation along this range.

Outlook

- We maintain previous quarter's outlook: US rates have room to move higher (prices lower) as the Fed continue to tighten policy rates.
- The Dollar Bond Fund will continue to shorten duration to move closer to benchmark. Year to date return has trailed the benchmark's performance dragged by the weaker price movement of Non-Philippine government bond positions in the portfolio.
- We maintain a defensive stance on the funds and currently using cash to cushion the fund from adverse conditions. We are bringing equity exposure to comfortable levels, comfortable enough to catch additional exposure when sentiment improves. We are likewise currently on guard, watching local food price and global crude oil prices to determine if inflation will indeed peak in Q4 of 2018. Once the market is confident that inflationary pressures will reverse, then we may see stock prices move higher. The other factor we are looking at is Q3 earnings, scheduled to be released around Oct-Nov period. This will give us a gauge on how badly inflation has hit consumption and, if any, indication of a possible turnaround.

Below table summarizes the accounts with material movements (+/- 5%) and their corresponding explanations¹⁴:

Accounts	2017 (Php in thousands)	2016 (Php in thousands)	Change in Amount (Php in thousands)	Change in %
Cash and cash equivalents	27,331	70,839	-43,508	-61.42%
Financial assets at fair value through profit or loss	820,707	741,584	79,123	10.67%
Available-for-sale	303,344	360,362	-57,018	-15.82%
Loans and receivables?	99,875	128,755	-28,880	-22.43%
Held to Maturity	5,779	0	5,779	100%
Accounts payable and accrued expenses	15,699	17,620	-1,921	-10.90%
Due to Philam Asset Management, Inc.	1,914	2,179	-265	-12.16%
Share Capital	316,518	365,272	-48,755	-13.35%
Reserve for fluctuation on AFS	(18,449)	(9,037)	-9,412	-51.00%
Fair value losses, net	0	9,732	-9,732	-100.00%
Fair value gains, net	150,309	0	150,309	100.00%
Interest	21,986	27,243	-5,257	-20.00%
Dividend	11,181	13,029	-24,210	-185.82%
Fees and Other Charges	2,428	3,273	-845	-26.00%
Management fees	26,491	28,956	-2,465	-8.51%
Taxes and licenses	170	351	-181	-51.57%

Cash & cash equivalents – The decrease is due to the increased number of redemptions during the year

Financial assets at fair value through profit or loss – The increase is brought about movements in fair value of the Fund's investment in equity securities.

Held To Maturity - The movement is mainly due to the acquisition of investment of the Fund classified under held-to-maturity securities.

Available-for-sale securities – The decrease is due to higher disposals of government securities this 2017 compared to 2016.

Loans and receivables – The decrease is due to the settlement of all Settlement Receivables from Brokers at year end 2017

Accounts payable & accrued expenses – The decrease is due to the exhaustion of the accrual of legal and audit fees during 2017.

Due to Philam Asset Management Inc. – The decrease is due to lower management fee accrued which is based on lower AUM.

Share Capital– The decrease is due to higher redemptions for the year 2017 compared to 2016.

Reserve for fluctuation on AFS– The movement is due to the market valuation of various securities held classified as AFS

¹⁴ Source: SEC Form 17-A submitted April 21, 2017.

Fair value gains/losses, net – The increase is due to the marked to market valuation of various securities held classified as FVTPL resulting to gains this year.

Interest – The decrease is brought by the lower interest accrual during the period driven by the Fund's exposure to fixed deposits.

Dividend – The decrease is due to the lower number of entitlements from equity securities for the year 2017 compared to 2016.

Management fees – The decrease is due to lower AUM which management fee is based.

Fees and Other Charges - the decrease is due to the fund's lower incurrence of expense for the year 2017.

Taxes and licenses – The decrease is due to a decrease in the value of Documentary Stamp Taxes

FINANCIAL HIGHLIGHTS

Income

Interim Period Ending September 30, 2018 vs. FY 2017

The net investment loss of the Fund as of September 30, 2018 is at Php -136 million. This figure amounted to an decrease of Php 278.45 million from last year's Php 142.44 million.

Earnings Per Share as of September 30, 2018 was at Php -0.4622, an increase of Php 0.9122 from the same period the previous year.

FY 2017 vs. FY 2016

The net income of the Fund as of December 31, 2017 was at Php 142.44 million. This figure amounted to a Php 154.20 million increase from 2016's Php -11.76 million.

Earnings per share as of December 31, 2017 was at Php 0.4500, increasing by Php 0.4822 from the earnings per share for the same period of the previous year which was at Php -0.0322.

FY 2016 vs. FY 2015

The net loss of the Fund as of December 31, 2016 was at Php -11.76 million. This figure amounted to a Php 55.03 million increase from 2015's Php -66.80 million.

Earnings per share as of December 31, 2016 was at Php -0.0322, increasing by Php 0.1319 from the earnings per share for the same period of the previous year which was at Php -0.1641.

Net Assets and Net Asset Value Per Share

Interim Period Ending September 30, 2018 vs. FY 2017

The Fund's net assets as of the September 30, 2018 was at Php1.02 billion, a decrease of Php 220.67 million from December 31, 2017's net assets.

NAVPS on September 30, 2018 was posted at Php 3.4646, a Php 0.4535 decrease from the NAVPS of December 31, 2017.

FY 2017 vs. FY 2016

The Fund's net assets as of December 31, 2017 was at Php 1.24 billion, a decrease of Php 42.32 million from 2016's Php 1.28 billion.

NAVPS on December 31, 2017 was posted at Php 3.9181, an increase of Php 0.4071 from the NAVPS of December 31, 2016.

FY 2016 vs. FY 2015

The Fund's net assets as of December 31, 2016 was at Php 1.28 billion, a decrease of Php 167.4 million from 2015's Php 1.45 billion.

NAVPS on December 31, 2016 was posted at Php -0.0322, an increase of Php 0.1319 from the NAVPS of December 31, 2015.

Liquidity and Other Issues

There are no demands, commitments, events or uncertainties which will impair the liquidity of the Fund. The Fund is mandated by SEC, through the Investment Company Act, to maintain at least 10% of its net assets to be invested at liquid assets (ICA Rule 35 – 1 p. d4). There are no events that triggered direct or contingent financial obligations that are material to the Fund.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANT ON ACCOUNTING AND FINANCIAL DISCLOSURES

There are no changes in and disagreements with Isla Lipana on accounting and financial disclosures.

PHFI DIRECTORS AND EXECUTIVE OFFICERS

Name	Age	Citizenship	Position	Years of Service
Roberto F. De Ocampo	72	Filipino	Chairman of the Board	1 year (2018-2019)
Reynaldo G. Geronimo	73	Filipino	President and Director	1 year (2018-2019)
Arleen May S. Guevara	56	Filipino	Director	1 year (2018-2019)
Eric S. Lustre	56	Filipino	Director	1 year (2018-2019)
Elenita G. Villamar	55	Filipino	Director and Treasurer	1 year (2018-2019)
Armand F. Braun, Jr.	80	Filipino	Independent Director	1 year (2018-2019)
Meliton B. Salazar, Jr.	52	Filipino	Independent Director	1 year (2018-2019)
Ma. Adelina S. Gatdula	56	Filipino	Corporate Secretary	1 year (2018-2019)
Maureen Christine O. Lizarondo-Molina	31	Filipino	Asst. Corporate Secretary	1 year (2018-2019)
Jose Ivan T. Justiniano	59	Filipino	Compliance Officer	1 year (2018-2019)
Angela Paola V. Reyes	34	Filipino	Data Privacy Officer	1 year (2018-2019)

ROBERTO F. DE OCAMPO

Chairman

Dr. De Ocampo is a Cum Laude graduate with a Bachelor of Arts degree in Economics from the Ateneo de Manila University. He has a Master's degree in Business Administration from the University of Michigan and a post-graduate diploma from the London School of Economics. He has also been conferred three Doctorates (Honoris Causas). Since 2014, Mr. De Ocampo is Chairman of the following PAMI-managed funds: Philam Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc. (President and Director each since 2005), PAMI Global Bond Fund, Inc. (President and Director since 2008), PAMI Asia Balanced Fund, Inc. (President and Director since 2009), PAMI Horizon Fund, Inc. (President and Director since 2011), and PAMI Equity Index Fund, Inc. (President and Director since 2009). Dr. de Ocampo was previously the President of the Asian Institute of Management. From 1992 to 1998, he served as the Secretary of Finance under the Ramos administration and was widely recognized as the principal architect of the resurgence of the Philippine economy. He was the first Filipino and the first ASEAN finance minister to be recognized and was cited as the "Finance Minister of the Year" in 1996 by Euromoney. He was conferred the Legion of Honor in 1998, the highest honor conferred on Filipino civilians by the Philippine government and was conferred the Ordre National de la Légion d'Honneur by the Republic of France with the rank of Chevalier.

REYNALDO G. GERONIMO

President

Atty. Geronimo is a cum laude graduate of Bachelor of Arts (A.B.) at the Ateneo de Manila University. He graduated Second Honors from Ateneo Law School in 1968. He also has a Master of Laws with specialization in Trusts and Estates from the University of Pennsylvania. He is currently a partner in the Romulo Mabanta Buenaventura Sayoc & de los Angeles Law Firm and a co-Chairman of the Banking Group. Atty. Geronimo is known as the Trust Guru, with a regular column in the Manila Standard Today. He is also a bar reviewer in Taxation at the UP Law Center, the UP College of Law, the Law School of UST's Civil Law Faculty, the College of Law of Liceo de Cagayan, and the Ateneo Law School. Atty. Geronimo is the President and Director of the following PAMI-managed funds since 2014: Philam Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc., PAMI Global

Bond Fund, Inc., PAMI Asia Balanced Fund Inc., PAMI Equity Index Fund, Inc., and PAMI Horizon Fund, Inc.

ARLEEN MAY S. GUEVARA

Director

Ms. Guevara is the Senior Vice President and Chief Investment Officer of Philamlife and is currently a Director of PAMI. Ms. Guevara was the PAMI Chairman from 2011-2013. Since 2012, Ms. Guevara has been the director of Philam Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc., PAMI Global Bond Fund Philippines, Inc., PAMI Asia Balanced Fund Inc., PAMI Horizon Fund Inc., PAMI Global Emerging Markets Fund, Inc. and PAMI Equity Index Fund, Inc. She is also a director (since 2008) at the following - Science Park of the Phils., Inc., Manila Exposition Complex, Inc., Beacon Property Ventures, Inc., Regatta Properties, Inc., and Cebu Light Industrial Park, Inc. Prior to joining Philamlife, she was Deputy Director of the Treasury Department of the Bangko Sentral ng Pilipinas. Ms. Guevara is a magna cum laude graduate of Bachelor of Science in Applied Mathematics from the University of the Philippines. She holds a Master of Policy Science from the Saitama University, Japan under a Monbusho (Japan Ministry of Education) scholarship and has completed Academic units towards a Masters in Economics at the De La Salle University, Manila.

ERIC S. LUSTRE

Director

Mr. Lustre is the President and Chief Executive Officer of Philam Asset Management, Inc. Prior to his appointment, Mr. Lustre was Head of Corporate Finance and Real Estate of Philam Life's Investments Team. Since he joined Philam Life in 1993, his roles over the years included mortgage finance, fund management (corporate bonds and global bond funds), and real estate management. Eric received his Bachelor's degree of Science in Business Management from The Ateneo de Manila University and a Master's degree in Business Management with a major in Finance at the Asian Institute of Management. Since October 2009, Mr. Lustre is a Director in the following companies representing Philam Life: Philam-Equitable Life Assurance Company, ICCP Holdings, Inc., Science Park of the Philippines, Inc., Regatta Properties, Inc., Beacon Property Ventures, Inc., Pueblo de Oro Development Corporation, Cebu Light Industrial Park, Inc., and RFM-Science Park of the Philippines, Inc. He is also a Director of PHINMA Corporation as a representative of Philam Life since February 2011. Since November 2016, Mr. Lustre served as Director of the following PAMI-managed Funds: PAMI Asia Balanced Fund, Inc., PAMI Equity Index Fund, Inc., PAMI Global Bond Fund, Inc., PAMI Horizon Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Fund, Inc., Philam Managed Income Fund, Inc., and Philam Strategic Growth Fund, Inc.

ELENITA G. VILLAMAR

Director and Treasurer

Ms. Villamar is the Head of Finance for Philam Asset Management, Inc. (PAMI). As PAMI's Head of Finance, she is responsible for developing financial strategies and its related performance metrics, ensuring adequate and effective financial control measures, and managing capital requirements and budget process. She has been with Philam Life for 30 years and has occupied various senior positions within the company. Prior to joining Philam Life, she worked for SGV & Co. Ms. Villamar is a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants. She is a Fellow with distinction at the Life Management Institute. She has also completed various certification courses like the Advanced Life Insurance Course and the Trust Operations and Investment Management Course. She was a National State Scholar and received her Bachelor's

degree in Commerce, Accountancy from the University of Santo Tomas, graduating cum laude. Since October 2015, Ms. Villamar has been a Director of the following PAMI-managed Funds: Philam Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc., PAMI Global Bond Fund Philippines, Inc., PAMI Asia Balanced Fund Inc., PAMI Horizon Fund Inc., and PAMI Equity Index Fund, Inc.

ARMAND F. BRAUN, JR.

Independent Director

Mr. Armand Braun, Jr. is a graduate of the Ateneo de Manila University where he earned a degree of Bachelor of Science in Business Administration. He also took an Advance Management Program for Overseas Bankers at the Wharton School in Philadelphia, USA. He is an Independent Director of the following: Philam Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc. (each since 1998), Philam Managed Income Fund, Inc. (since 2005), and PAMI Global Bond Fund, Inc. (since 2008) PAMI Asia Balanced Fund, Inc. (since 2009), PAMI Horizon Fund, Inc. (since 2011), and PAMI Equity Index Fund, Inc. (since 2009). Mr. Braun also sits on the board of various other companies: AFBraun & Co. Holdings (1995 – present), A-1 Microfinance, Inc. (2002 – present), Iligan Pizza Corp. (1999 – present), North Iligan Foods Corp. (2004 – present), and Al-Rose Foods Corp. (1999 – present).

MELITON B. SALAZAR, JR.

Independent Director

Mr. Salazar has a Ph.D. in International Relations, Major in International Development and Development Management from the School of International Service, The American University, Washington, D.C.; an M.A. in International Political Economy and Development from Fordham University, New York and a B.S. Management Engineering degree from the Ateneo de Manila University. Dr. Salazar is an established figure in the academe being currently the president of the following: University of Iloilo, Iloilo City (since 2009), University of Pangasinan (since 2009 to present), Cagayan de Oro College (since 2005), and Araullo University (since 2004). Dr. Salazar is also Senior Vice President of PHINMA Education Network (since 2003). Among Dr. Salazar's previous positions were President & CEO, STI International (2002 to 2003), President & CEO, iAcademy (2002 to 2003), President & CEO, Systems Technology Institute, Inc. (2001 to 2002) and COO of Systems Technology Institute, Inc. (2000 to 2001). Since November 2013, Mr. Salazar has been Director of the following PAMI-managed mutual funds - Philam Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc., PAMI Global Bond Fund Philippines, Inc., PAMI Asia Balanced Fund Inc., PAMI Horizon Fund Inc., and PAMI Equity Index Fund, Inc.

JOSE IVAN T. JUSTINIANO

Compliance Officer

Mr. Justiniano is currently the Head of Compliance of PhilamLife. He has over 15 years of senior management experience in compliance, governance and risk management. He held various compliance roles in PRU Life U.K., PNOC-Exploration Corporation and Sun Life Financial Plans. Mr. Justiniano is a Certified Public Accountant with a Bachelor of Science degree in Accounting from San Beda College. He has an M.A. in Business Administration from De La Salle University; and holds several certifications in the financial services industry. Mr. Justiniano has been the Compliance Officer since October 2015 of the following PAMI-managed Funds: Philam Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc., PAMI Global Bond Fund Philippines, Inc., PAMI Asia Balanced Fund Inc., PAMI Horizon Fund Inc., and PAMI Equity Index Fund, Inc.

MA. ADELINA S. GATDULA

Corporate Secretary

Atty. Gatdula has been a Partner in Picazo Buyco Tan Fider & Santos Law Office since July 1995. She joined the said law office in September 1989. Prior thereto, she worked as a Confidential Attorney of Justice Irene R. Cortes in the Supreme Court. Atty. Gatdula obtained her Bachelor of Laws from the University of the Philippines in 1987, and Bachelor of Arts in Economics (cum laude) also from the same university in November 1982. She represents private companies engaged in real estate development and services, outsource business processing, software development, finance, investment, insurance and insurance brokerage and consultancy, manufacturing and trading, and radio broadcasting, in a wide array of corporate and financial matters, and various condominium corporations and non-government religious and charitable organizations. Atty. Gatdula has served as Corporate Secretary since October 2015 of the following PAMI-managed Funds: Philam Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc., PAMI Global Bond Fund Philippines, Inc., PAMI Asia Balanced Fund Inc., PAMI Horizon Fund Inc., and PAMI Equity Index Fund, Inc.

MAUREEN CHRISTINE O. LIZARONDO

Assistant Corporate Secretary

Atty. Maureen O. Lizarondo-Medina was born on November 30, 1986. She graduated cum laude with the degree of Bachelor Arts, Major in Political Science, from the University of the Philippines in 2003, and with a Juris Doctor degree, second honors, from the Ateneo de Manila University in 2011. She is currently a Senior Associate at Picazo Buyco Tan Fider & Santos Law Offices. She also serves as Assistant Corporate Secretary of 8990 Holdings, Inc. and the Corporate Secretary of Tullett Prebon (Philippines), Inc. Atty. Lizarondo has served as Assistant Corporate Secretary since April 2017 of the following PAMI-managed Funds: Philam Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc., PAMI Global Bond Fund Philippines, Inc., PAMI Asia Balanced Fund Inc., PAMI Horizon Fund Inc., and PAMI Equity Index Fund, Inc.

ANGELA PAOLA V. REYES

Data Privacy Officer

Angela Paola V. Reyes is the current Data Privacy Officer of Philam Asset Management, Inc. Ms. Reyes also serves as Deputy Head of Compliance of Philam Asset Management, Inc. and also hold the position of Head of Investment Compliance of Philam Life Group. From November 2009 to August 2010, she was the Compliance Analyst of Citibank N.A. Philippines and was an Account Executive of CitiFinancial Canada, Inc. from December 2007 to October 2009. Ms. Reyes completed her Bachelor of Science Degree in Commerce, majoring in Management in Financial Institutions from the De La Salle University, Manila in April 2004 and earned credits for Continuing Studies in the French Language from the University of British Colombia, Vancouver, Canada. She has recently completed the One-Year Course on Trust Operations and Investment Management by the Trust Institute Foundation of the Philippines. Since April 2017, Ms. Reyes is the Data Privacy Officer of the following PAMI-managed Funds: PAMI Asia Balanced Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., PAMI Equity Index Fund, Inc., Philam Fund, Inc., PAMI Global Bond Fund, Inc., PAMI Horizon Fund, Inc., Philam Managed Income Fund, Inc., and Philam Strategic Growth Fund.

Significant Employee

There is no significant employee who is expected by the Company to make a significant contribution to the business.

Family Relationships

None of the Company's Directors and Executive Officers is related to each other up to the fourth civil degree of consanguinity or affinity.

Involvement in Certain Legal Proceedings

To the best of the Company's knowledge, there has been no occurrence during the past five (5) years up to the date of this Prospectus of any of the following events that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer or controlling person of the Company:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. being 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 his involvement in any type of business, securities, commodities or banking activities; and
4. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Directors' Compensation

The Fund pays its directors a per diem of Php7,500 for every Board Meeting. The Fund estimates total aggregate per diems of Php187,500 annually.

Information as to the aggregate compensation paid or accrued during the last previous fiscal year and the preceding two fiscal years to the Fund's Board of Directors is, as follows:

Payment Period	Aggregate Amount Received
2016	90,000
2017	150,000
2018 (estimated)	150,000
Total	390,000

There are no other arrangements between the Fund and each of the Directors, pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director, including any additional amounts payable for committee participation or special assignments, for the last completed fiscal year and the ensuing year. Neither are there arrangements, including consulting contracts,

pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, since incorporation, for any service.

Employment Contracts and Termination of Employment and Change-In-Control Arrangements

None of the Executive Officers have employment contracts with the Company.

There are no arrangements that exist which could result in a change in control of the Company.

Warrants and Options Outstanding

As of the date of this Prospectus, none of the Company's common shares are subject to outstanding options or warrants to purchase, or securities convertible into common shares of the Company.

NO SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS
(AS OF SEPTEMBER 30, 2018)

SECURITY OWNERSHIP OF MANAGEMENT (AS OF SEPTEMBER 30, 2018)

TITLE OF CLASS	NAME AND ADDRESS OF OWNER	CITIZENSHIP	AMOUNT & NATURE OF OWNERSHIP (INDICATE RECORD &/OR BENEFICIAL)	PERCENT OF CLASS
Common	Roberto F. De Ocampo 17/F Net Lima Bldg., 5th Ave. cor. 26th St., Bonifacio Global City, Taguig (Chairman)	Filipino	1 R	0.00000003%
Common	Reynaldo G. Geronimo 17/F Net Lima Bldg., 5th Ave. cor. 26th St., Bonifacio Global City, Taguig (President)	Filipino	1 R	0.00000003%
Common	Eric S. Lustre 17/F Net Lima Bldg., 5th Ave. cor. 26th St., Bonifacio Global City, Taguig (Director)	Filipino	1 R	0.00000003%
Common	Arleen May S. Guevara 17/F Net Lima Bldg., 5th Ave. cor. 26th St., Bonifacio Global City, Taguig (Director)	Filipino	1 R	0.00000003%
Common	Elenita D.G. Villamar 17/F Net Lima Bldg., 5th Ave. cor. 26th St., Bonifacio Global City, Taguig (Treasurer)	Filipino	1 R	0.00000003%
Common	Armand F. Braun, Jr. 17/F Net Lima Bldg., 5th Ave. cor. 26th St., Bonifacio Global City, Taguig (Independent Director)	Filipino	1 R	0.00000003%
Common	Meliton B. Salazar, Jr. 17/F Net Lima Bldg., 5th Ave. cor. 26th St., Bonifacio Global City, Taguig (Independent Director)	Filipino	1 R	0.00000003%
Common	Ma. Adelina S. Gatdula Penthouse Liberty Center 104HV De La Costa St Salcedo Village Makati City (Corporate Secretary)	Filipino	0	0%
Common	Maureen Christine O. Lizarondo-Medina Penthouse Liberty Center	Filipino	0	0%

	104HV De La Costa St Salcedo Village Makati City (Assistant Corporate Secretary)			
Common	J. Ivan Justiniano 17/F Net Lima Bldg., 5th Ave. cor. 26th St., Bonifacio Global City, Taguig (Compliance Officer)	Filipino	0	0%
Common	Angela Paola V. Reyes 17/F Net Lima Bldg., 5th Ave. cor. 26th St., Bonifacio Global City, Taguig (Data Privacy Officer)	Filipino	0	0%

Voting Trust

The Company knows of no persons holding more than 5.0% of its shares under a voting trust or similar agreement which may result in a change in control of the Company.

Change of Control

No change in control of the Company occurred since the beginning of its last fiscal year.

Certain Relationships and Related Transactions

During the last two years, there are no transactions - either proposed 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 total outstanding shares and members of their immediate family had or is to have a direct or indirect material interest.

PARTIES INVOLVED IN THE FUND

THE FUND MANAGER

PHILAM ASSET MANAGEMENT, INC.

Philam Asset Management, Inc. (PAMI) is an asset management company that resulted from a strategic partnership between Philippine American Life & General Insurance Company and AIG Asset Management, Inc. PAMI was established in 1992 to take advantage of the improved business climate and expected recovery of the economy.

INVESTMENT MANAGER AND PRINCIPAL DISTRIBUTOR

PAMI is the investment manager of the Fund. As investment manager, PAMI is tasked to provide and render management and technical services to the Fund. PAMI also functions as the principal distributor of the Fund. As such, it takes charge of sales of the shares to prospective investors. Through its Management and Distribution Agreement with the Company, the guidelines for the management of the resources and operations by PAMI are set.

PAMI is wholly owned by Philippine American Life Insurance Company (Philamlife) and an affiliate of the AIA Group Limited. Philamlife, which started in 1947, is the country's largest and most diversified insurance company and the undisputed market leader for over half the century. It is a wholly owned subsidiary of the AIA Group Limited. At present, PAMI manages and distributes nine investment companies, namely: Philam Bond Fund, Inc., Philam Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc., PAMI Global Bond Fund, Inc., PAMI Asia Balanced Fund, Inc., PAMI Horizon Fund, Inc., and PAMI Equity Index Fund, Inc.

The management fee to be charged by PAMI is a maximum of 2% per year. Sales load for each investment will not be more than 3% (exclusive of VAT). The entry fee is 3%, aggregated of all investments of the client (exclusive of V.A.T). For exit fee, the applicable holding period is six (6) months. Redemptions made within six (6) months are subjected to an exit fee of no more than 1% (exclusive of twelve percent V.A.T.) of the redemption proceeds.

The Market Regulation Department of SEC issued PAMI its license for the year 2018 to operate as an Investment Company Adviser, subject to the provisions of the Investment Company Act, the Securities Regulation Code and its implementing rules and regulations, as well as other pertinent laws, rules and regulations applicable.

PAMI Board of Directors

Ferdinand L. Berba

Chairman of the Board

Mr. Ferdinand Berba is the Chairman of the Board of Philam Asset Management, Inc. He is the Head of AIA-Citi Partnership and Deputy CEO of BPI-Philam. Prior to his appointment, Mr. Berba held the role of CEO of Philam Asset Management, Inc. He has more than 30 years of experience in the financial services industry. He held various senior roles in Philam Life including Director of Philam Financial Advisory Services and Group Training Director. Previously, he was Director of Agency Development, Director of Client Services, and President of Sun Life Financial Plans. Nanjo also worked in other insurance companies such as Pioneer Life and Pioneer Group and Great Pacific Life Assurance Corporation. He holds an AB Psychology degree from De La Salle University.

Eric S. Lustre

President and Chief Executive Officer

Mr. Lustre is the President and Chief Executive Officer of Philam Asset Management, Inc. Prior to his appointment, Mr. Lustre was Head of Corporate Finance and Real Estate of Philam Life's Investments Team. Since he joined Philam Life in 1993, his roles over the years included mortgage finance, fund management (corporate bonds and global bond funds), and real estate management. Eric received his Bachelor's degree of Science in Business Management from The Ateneo de Manila University and a Master's degree in Business Management with a major in Finance at the Asian Institute of Management. Since October 2009, Mr. Lustre is a Director in the following companies representing Philam Life: Philam-Equitable Life Assurance Company, ICCP Holdings, Inc., Science Park of the Philippines, Inc., Regatta Properties, Inc., Beacon Property Ventures, Inc., Pueblo de Oro Development Corporation, Cebu Light Industrial Park, Inc., and RFM-Science Park of the Philippines, Inc. He is also a Director of PHINMA Corporation as a representative of Philam Life since February 2011. Since November 2016, Mr. Lustre served as Director of the following PAMI-managed Funds: PAMI Asia Balanced Fund, Inc., PAMI Equity Index Fund, Inc., PAMI Global Bond Fund, Inc., PAMI Horizon Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Fund, Inc., Philam Managed Income Fund, Inc., and Philam Strategic Growth Fund, Inc.

Ling Chi Kevin Ng

Director

Mr. Ng holds a degree in Bachelor of Information Technology (Economics) from the Australian National University and completed his MSc in International Management and MSc in Financial Economics from the University of London. He is likewise a Chartered Financial Analyst. He is currently the Vice-President, Head of Asset Allocation Advisory of AIA. He was formerly the Vice-President for Wealth Management Products, Asia at ABNAMRO Bank, where he set up a regional investment advisory platform and a structured product development platform for all ABN AMRO branches in Asia.

Edgardo A. Grau

Independent Director

Mr. Grau is a graduate of the De La Salle University with a degree in Bachelor of Science in Mechanical Engineering and graduated with an MBA degree, major in Industrial Management at Wharton Graduate School, University of Pennsylvania. He was previously the Executive Vice-President and Chief Investment Officer of Philamlife. Mr. Grau also held positions at Meralco's Technical Services Group as Assistant Vice-President, Philippine Commercial International Bank as Vice-President, Atlantic Gulf & Pacific Company of Manila, Inc. as Executive Vice-President & Chief Operating Officer, Magellan Capital Holdings Corporation as Senior Vice-President and Chief Financial Officer, and Philippine Asia Equity Securities, Inc. as Senior Vice-President for Investment Banking.

Javier J. Calero

Independent Director

Mr. Calero was previously Senior Adviser for the International Foundation for Elections Systems based in Washington D.C. which is currently working on strengthening national and provincial legislative governance in Pakistan. He was also the Chairman of the Zenith Optimedia and ZMG Signium Ward Howell, an executive development Search Firm. He was involved in the Indonesian presidential elections in 1999, where he became part of the post-election program funded by the United States Agency for International Development. He was then President and Chief Executive Office of J. Walter Thompson, Philippines. He was thereafter promoted as its Regional Director in countries like Sri

Lanka, Malaysia, Indonesia, and Singapore where he was responsible in ensuring the profitability of the said countries. He currently serves as a director in various organizations, such as the Institute of Corporate Directors, Philippine Band of Mercy, Asian Institute for Journalism and Communication, Dearborn Motors-Ford Dealership, Performance Auto Motors Group, Inc. and World Association of Psychosocial Rehabilitation. He is also a Trustee and Vice Chairman of the University of Asia and the Pacific.

CITIBANK, N.A.
CUSTODIAN BANK

The Custodial Agreement establishes the relationship among the Fund, PAMI and Citibank, N.A ("CTI") as the custodian bank. The Custodial Agreement covers the custodian bank's duties on receipt of securities, identification and segregation of assets, registration of assets, reports and records to be accomplished by the custodian bank, custody of the Fund's investments and fees of the custodian bank.

Address: Citibank Tower, 8741 Paseo de Roxas, Makati City Tel No.: 894-7921

PHILAM ASSET MANAGEMENT, INC.
TRANSFER AGENT

Philam Asset Management, Inc. (PAMI) serves as the Stock Transfer agent of the Fund.

Address: 17/F Net Lima Bldg., 5th Ave. cor. 26th St., Bonifacio Global City, Taguig Tel Nos.: (632) 5216300 Fax Nos.: (632) 5285093

PICAZO LAW
LEGAL COUNSEL

Picazo Buyco Tan Fider & Santos (PICAZO Law) serves as the legal counsel for the Company.

Address: Penthouse, Liberty Center, 104 H.V. Dela Costa St., Salcedo Village, Makati City Tel Nos.: (632) 888-0999 ; 888-0311 Fax Nos.: (632) 888-1012

ISLA LIPANA

EXTERNAL AUDITOR

The accounting firm of Isla Lipana & Co. (Isla Lipana) has been retained by the Company as its external auditor.

Address: 29/F Philamlife Tower, Paseo de Roxas, 1226 Makati City, Philippines
Tel. No. +63(2) 845-2728

Scope of Service

Isla Lipana's professional service for the Fund is limited only to the regular annual audit report.

Audit and Audit-Related Fees

The following are the aggregate fees billed by the external auditors for each of the last two fiscal years:

Year	Amount (in PhP)
2016	50,000
2017	51,000
2018 (Estimated)	50,000
Total	151,000

Note:

No tax fees were paid since there were no professional services rendered by Isla Lipana for tax accounting compliance, advice, planning and any other form of tax service.

Similarly, no other fees were paid for products and services provided by Isla Lipana other than the regular annual audit report.

AUDIT COMMITTEE

The Chairman of the Audit Committee is Armand F. Braun, Jr. and the members are Roberto F. De Ocampo, Arleen May S. Guevara, and Meliton B. Salazar, Jr.

The following are the Fund's Audit Committee's approval policies and procedures for the External Auditor:

1. Recommend to the Board of Directors the selection of the external auditor, who is accountable to the Board and to the Audit Committee as representatives of the shareholders, considering independence and effectiveness and approve the fees and other compensation to be paid to the external auditor. On an annual basis, the Committee should review and discuss with the accountants all significant relationships the accountants have with the Fund to determine the accountants' independence.
2. Review the performance of the external auditor and approve any proposed discharge of the external auditor when circumstances warrant.
3. Periodically consult with the external auditor out of the presence of the Fund about internal controls and the fullness and accuracy of the organization's financial statements.

4. The Committee will actively engage the external auditor in a dialogue regarding independence.
5. Adhere to the following procedures for the approval of services by the external auditor:
 - a. The Audit Committee will annually approve the scope of, and fees payable for, the year-end audit to be performed by the Fund's external auditor for the next fiscal year.
 - b. The Fund may not engage the external auditor for any services unless they are approved by the
 - c. Audit Committee in advance of the engagement
 - d. If the Fund wishes to engage the external auditor for any services, the Fund will define and present to the Audit Committee specific projects and categories of service, and fee estimates, for which the advance approval of the Audit Committee is required. The Audit Committee will review these requests and determine whether to pre-approve the engagement of the external auditor for the specific projects and categories of service.
 - e. The Fund will report to the Audit Committee regarding the actual spending for these projects and services, compared to the approved amounts on a quarterly basis.
 - f. The Audit Committee Chairperson will report to the Committee at each regularly scheduled meeting the nature and amount of any non-audit services that he has approved.

DIRECT OR INDIRECT INTEREST OF EXTERNAL AUDITOR AND INDEPENDENT COUNSEL

Isla Lipana & PICAZO Law, The Fund's External Auditor and Legal Counsel, respectively, have not been retained on a contingency basis. Both will not receive any direct or indirect interest in the Fund pursuant to or in connection with the offer.

Isla Lipana and PICAZO Law have not acted or will not act as promoter, voting trustee, officer or employee of the Company.

MATERIAL CONTRACTS AND AGREEMENTS

The following is a summary of the material contracts and agreements relating to the Fund:

Management and Distribution Agreement

Under this Agreement, Philam Asset Management, Inc. ("PAMI") was engaged by the Fund to act as the Fund Manager.

The services to be rendered by PAMI under the Fund Management Agreement include the following:

- 1) Investment and re-investment of the assets of the COMPANY in accordance with the investment policies or guidelines which the Board of Directors may from time to time prescribe, and in conformity with the COMPANY's prospectus(es), the Investment Company Act and other applicable laws and regulations;
- 2) Preparation and submission of such information and data relating to economic conditions, industries, business, corporations, or securities as may be reasonably required by the COMPANY's Board of Directors or as PAMI may deem to be helpful to such Board in the formulation and evaluation of its investment policies or guidelines;
- 3) Coordination of the activities of, and extension of all necessary cooperation or assistance to, the custodian appointed by the COMPANY (the "Custodian"), the auditors and the legal counsel of the COMPANY, without prejudice to the direct responsibility of such firms to the COMPANY;
- 4) Preparation of such reports, circulars, notices and other information on internal corporate affairs as may from time to time be required by the COMPANY, its stockholders, Board of Directors, and/or officers, which shall include a quarterly report on:
 - a. revenues and disbursements broken-down as to investments and expenses;
 - b. sales and redemptions; and
 - c. performance, change or status of the COMPANY's assets;
- 5) Representation with Government offices, instrumentalities and agencies, including all work required in registering the COMPANY's securities, obtaining proper licenses and permits, complying with other legal requirements including those requirements relevant to PHILAM ASSET MANAGEMENT, INC.'s own operations, and submitting regular reports to various government agencies;
- 6) Accounting, bookkeeping, clerical and other administrative services in the ordinary conduct of the COMPANY's activities, other than those services provided by the custodian, the auditors and the legal counsel;
- 7) Transactions with stockbrokers for the account of the COMPANY in connection with PAMI's investment and re-investment of the COMPANY's assets, provided that in order to avoid undue concentration of brokerage transactions, no more than fifty percent (50%) of such total brokerage transactions at any given month shall be coursed through any one stock broker.

In purchasing and selling securities or otherwise making or disposing of investments for the account of the Fund, PAMI may act without need of prior approval or notification from the Fund, provided that it acts within the limits of the investment policies and guidelines prescribed by the Fund's Board of Directors and subject to the provisions of the ICA and the registration statements of the Company.

The Certificates and other evidence of title to assets in the investment portfolio of the Fund shall be under the custody of a Custodian. However, PAMI may, either directly or through the Custodian, take charge of the collection of interests, dividends or other payments on all securities owned by the Fund, and shall exercise any and all rights of the Fund pertaining to such securities.

PAMI also acts as the principal distributor of the capital stock of the Fund. PAMI shall use its best efforts to sell the Company's stock, and it is agreed that PAMI does not undertake to buy or sell any or any specific portion of the capital stock of the Fund.

The initial term of the Amended Fund Management Agreement is two years, after which the agreement shall continue in effect from year to year, provided that the continuation shall be specifically approved at least annually by the Fund's Board of Directors or by a vote of the shareholders holding or representing majority of the outstanding stock of the Company.

The Fund Management Agreement may be terminated at any time, upon written notice of not less than 60 days, by the Fund's Board of Directors, or by a vote of the shareholders holding or representing majority of the outstanding capital stock of the Company, or by PAMI. The Fund Management Agreement is also deemed automatically terminated after a new fund manager is qualified and selected in the event that PAMI has signified its intention not to renew.

For services rendered under the Fund Management Agreement, PAMI shall receive a monthly fee equivalent to **one-sixth of one percent (1/6 of 1%)** of the average net value of the COMPANY's assets, computed on a daily basis or not more than **2.00%** of the average net asset value of the COMPANY's assets per year. "Net value" shall be determined by computing the total value of the COMPANY's assets less its liabilities in accordance with the procedure used in computing the Net Asset Value of each share of the COMPANY. The fee accruing during each calendar month shall be paid to PAMI during the first week of the succeeding month.

Direct Custodial Services Agreement

The Fund engaged the services of various Citibank branches around the world as custodian of the Company's property and cash. The Citibank branches in the following countries were engaged as custodians under this agreement: Australia, Austria, Canada, France, Germany, Hong Kong, Indonesia, Italy, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Philippines, Portugal, Singapore, Spain, Switzerland, Taiwan, Thailand, United Kingdom and the United States.

The agreement does not provide for a definite term and shall be terminated at the instance of either party. This agreement may be terminated by the Fund by giving notice to the applicable custodian or to Citibank N.A. (if it wishes to terminate the entire arrangement), by giving written notice of not less than sixty days. Any custodian may likewise terminate the agreement by giving the same written notice within the same period.

The services to be rendered by the Custodian under this agreement include the following:

1. Taking custody of the property and cash of the Fund;
2. Collecting and receiving for the account of the Fund all income, payments and distributions in respect of the property held under its custody;
3. Receiving and holding for the account of the Fund, all securities received as a result of a stock dividend, share subdivision or reorganization, capitalization of reserves or otherwise; and
4. Making cash disbursements for any expenses incurred in handling the property.

The fees payable by the Fund to each custodian under the agreement varies depending on the country where the custodian bank is located. For instance, in the Philippines, the fee is 1.35 basis points plus Php100.00 per transaction, while in the Hong Kong, the fee ranges from 6 to 7.5 basis points per transaction.

Service Agreement

The Fund engaged the services of Philam Asset Management Inc. ("PAMI") as Stock Transfer Agent effective April 7, 2016.

The services to be rendered by PAMI under this agreement include the following:

1. Taking possession of and safeguarding the following items, among others:
 - a. All unissued stock certificates of the Fund;
 - b. All unclaimed stock certificates of the Fund;
 - c. Corporate seal of the Fund; and
 - d. Stock Transfer Journal and Ledgers of the Fund.
2. Issuing certificate of stocks of the Fund upon instruction of PAMI and upon presentation of the proper underlying documents;
3. Attending to all details of stock cancellation and issuance, including the prompt and due recording in the stock and transfer journal and ledgers;
4. Computing and submitting to PAMI the proper amount of Documentary Stamp Tax; and
5. Registering all liens constituted on the shares of stock of the Fund upon receipt thereof and canceling existing liens upon receipt of notice of release thereof.

The Transfer Agent charges 5 basis points per annum, on a monthly basis, based on average Assets Under Management (AUM).

The term of this agreement is from April 7, 2016 until terminated. It may be terminated upon thirty days' notice from either party.

CORPORATE GOVERNANCE

The evaluation system adopted by the Fund to determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance is based primarily on the SEC Corporate Governance Self-Rating Form (CG-SRF).

The Fund has undertaken the following measures to fully comply with the adopted leading practices on good corporate governance:

- Consider changes, improvements, or additions to current corporate disclosure procedures
- Implement processes for identifying items where timely corporate disclosure is necessary

The Fund has no material deviations from its Manual of Corporate Governance since it filed its CG-SRF with the SEC.

Apart from the foregoing changes or improvements being considered for corporate disclosures, there are no plans to improve the current corporate governance of the Fund.

POLICIES AND PROCEDURES

Risk Management Framework

PAMI has a Governance Framework that covers policies, procedures, reporting, monitoring, assurance, audit (internal and external), certifications of adherence and trainings. The Governance Framework is designed to address the management of risks. Risks are categorized and addressed in the policies which detail the requirements regarding procedures, reporting and monitoring.

Risk Monitoring Procedure

PAMI has a Local Risk Management Committee that regularly meets to discuss and assess the risks of the business. Business risks are identified and assessed by the departments and discussed further in Risk Committee meetings. Reporting is done from the department and escalated to the Risk Committee through the designated Local Risk Officer who reports to the Group Risk.

Procedure for handling customer complaints

Investors may raise their complaints by visiting any PAMI Servicing Centers, by calling the PAMI Customer Service Hotline at +632 817PAMI (7264) or by sending an e-mail to phi.philamasset@aia.com. Feedback shall be given within five (5) business days.

Procedure for monitoring fund distribution

The Transfer Agent (TA) sends a report of all the transactions (subscriptions and redemptions) to the PAMI Sales Team on a daily and monthly basis. These reports are broken down per sales channel enabling granularity and accuracy in monitoring sales.

Procedure to ensure compliance with relevant laws and regulations

PAMI Compliance Department and Legal Department have complete oversight on all relevant laws and regulations applicable to the fund to ensure that awareness and adherence to such. Once a new regulation/law issued by the government, Compliance coordinates with the Legal Department to interpret that law to have a better understanding

on how it will impact the fund/organization. Compliance promptly disseminates this regulation to the applicable business unit/s for awareness and for establishment of monitoring tools/controls if needed. A gap analysis may also be performed to assess the impact to the business and the needed action plan to address the gaps.

Policy on conflicts of interest and procedure for monitoring and resolving conflicts of interest

PAMI is committed to conducting business in a manner that is consistent with internal guidelines and the Securities and Exchange Commission (SEC) where it is duty bound to:

1. Protect the interest of the investing public by discouraging abuse, exploitation, manipulation, misrepresentation by distributors involved in the Company
2. Provide an environment of healthy competition in the industry by cultivating a culture of transparency and fair play among its members.
3. Promote mutual funds as a safe and viable investment alternative by ensuring that sales personnel adhere to the highest levels of professionalism and ethical standards.

PAMI employees are governed by the Code of Conduct policy which discusses conflict of interest. On the other hand conflict of interest provision are included in the Market Conduct Guidelines which is distributed and signed to all PAMI CISol. PAMI mandates employees and CISols to avoid situations where conflict of interest may arise. Individuals in the organization are required to disclose any conflict of interest, whether potential and perceived conflict of interest. Once a disclosure has been made, PAMI Compliance reviews and assesses the conflict of interest. After which, recommendations are made to management on how the address such matters.

Liabilities of the Investment Company & the Fund Manager to the Shareholders

The Investment Company and the Fund Manager shall assume such liabilities to shareholders of the Investment Company as may be provided in the Corporation Code, the Investment Company Act, and all other applicable laws and regulations.

Rights of the Shareholders in case of Dissolution & Dissolution Plan

In case of dissolution of the Investment Company, the shareholders shall be granted such rights as may be provided in the Corporation Code, the Investment Company Act, and all other applicable laws and regulations. Further, the Board of Directors of the Investment Company shall have the power to promulgate and implement the dissolution plan thereof.

COMPLIANCE WITH REGULATIONS

Investment Company Act of 1960

Investment companies are primarily regulated by Republic Act No. 2629, the Investment Company Act of 1960, and its implementing rules and regulations. Subject to exceptions under RA 2629, 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, reinvesting, or trading in securities. Investment companies may be either open-end or closed-end. An open-end company is an investment company that offers for sale, or has outstanding, any redeemable security of which it is the issuer. A closed-end company is any investment company other than an open-end company.

Investment companies must be organized as stock corporations and must comply with the requirements of the Corporation Code of the Philippines, as well as with the following additional requirements under RA 2629:

1. Minimum subscribed and paid-in capital of at least PhP50,000,000.00;
2. All members of the Board of Directors must be Filipino citizens;
3. All shares of its capital stock must be common and voting shares; and
4. In the case of open-end companies, the Articles of Incorporation shall provide for the waiver of pre-emptive rights of shareholders.

The Company has complied with the above requirements.

RA 2629 requires every investment company organized or created under Philippine laws to register by filing with the SEC a registration statement, which shall set forth such information that the SEC may require. Furthermore, any securities proposed to be issued and distributed or sold by the investment company must likewise be registered with the SEC.

For the protection of its investors, every registered investment company is required to place and maintain its securities and similar investments in the custody of a duly organized local commercial bank of good repute; or a company which is a member of a securities exchange as defined in the Securities Act (now the Securities Regulation Code), subject to such rules and regulations as the SEC may from time to time prescribe; or such registered company, but only in accordance with such rules and regulations or orders as the SEC may from time to time prescribe for the protection of investors.

Registered investment companies are subject to the reporting provisions of SRC Rule 17.1. Moreover, ICA Rule 35-1(i) requires the registered investment companies, within the first ten (10) days of every month, to submit to the SEC reports under oath executed on behalf of the investment companies by their Treasurer or any other officer, showing the following information:

- a. the total amount received from the sale of shares;
- b. the total amount of redemption;
- c. the number of shares outstanding at the beginning of the month;
- d. the number of shares sold during the month;
- e. the number of shares redeemed during the month;
- f. the number of shares outstanding at the end of the month; and
- g. the percentage of the outstanding shares owned by Filipinos.

Investment companies are also required to file with the SEC such information and documents including financial statements as the SEC may require, on a semi-annual or quarterly basis, to keep reasonably current the information and documents contained in the registration statements filed by the investment companies when they registered as investment companies as required under RA 2629.

Anti-Money Laundering Act

SEC Memorandum Circular No. 2, Series of 2015, describes Money Laundering as “the processing of the proceeds of a crime to disguise their origin. It is a process intended to mask the benefits derived from serious offenses or criminal conduct as described under the Act, so that they appear to have originated from a legitimate source.” Money Laundering whether it be facilitating or assisting in such act is considered as a criminal offense.

PAMI strictly enforces its PAMI Anti-Money Laundering SOP and Guidelines, procedures and training. This is also in compliance with the laws and regulations under the Anti-Money Laundering Act.

PAMI Sales Representatives shall ascertain the identity of each client by performing their KYC (Know Your Customer). PAMI Sales Representative shall also obtain competent evidence of their client's identity and/or proof of source of funds by requiring the submission of certain documents as stated in the Anti-Money Laundering Guidelines prior to opening an account. Any additional subscriptions /top ups should also be in compliance of the said guidelines.

PAMI reserves the right to reject any application to purchase shares of the Fund if found to be non-compliant with the foregoing.

Foreign Account Tax Compliance Act ("FATCA")

The U.S. Foreign Account Tax Compliance Act ("FATCA") has the objective of preventing tax evasion by U.S. persons by placing certain compliance and reporting obligations on Foreign Financial Institutions ("FFIs") including mutual funds such as PAMI Income Payout Fund. If the Fund is found to be non-compliant it may be subject to a 30% withholding on U.S. source income or proceeds. As such, establishing and continually maintaining FATCA-compliant processes across all business functions is of critical importance to PAMI and the mutual funds it manages.

The requirements of FATCA are complex and requires FFIs such as PAMI Income Payout Fund to undertake due diligence to identify U.S. customers, report U.S. customers to the U.S. Inland Revenue Services ("IRS") or the Philippines Bureau of Internal Revenue ("BIR") together with customers who are unable or unwilling to confirm their corresponding U.S. status (recalcitrant customers) and in certain circumstances to withhold against or terminate accounts of recalcitrant customers. In line with this, PAMI strictly enforces its PAMI FATCA SOP and Guidelines, procedures and training.

Similarly, as an internal control, PAMI will not accept clients who are U.S. Citizens. However, PAMI will accept clients with U.S. Indicias provided that, together with the Customer Information Sheet or Subscription form, they submit the required FATCA documents.

PAMI reserves the right to reject any application to purchase shares of the Fund if found to be non-compliant with the foregoing.

DATA PRIVACY ACT

Among the most important assets of Philam Asset Management Inc. and/or its affiliates (individually and collectively referred to herein as "PAMI") is the trust and confidence placed to properly handle information. Current and potential customers expect PAMI to maintain their information accurately, protected against manipulation and errors, secure from theft, and free from unwarranted disclosure. PAMI protects the data security of its customers and potential customers by complying with the Personal Data (Privacy) Ordinance, and all relevant local laws, and ensure compliance by its staff with strict standards of security and confidentiality.

The PAMI Privacy Statement, which is published on the website, provides its customers with notice as to:

- why their personal data is collected
- how it is intended to be used

- to whom their personal data may be transferred
- how to access, review, and amend their personal data
- PAMI's policies on direct marketing and the use of cookies

By using the PAMI website, the customer is accepting the practices and policies of the PAMI Privacy Statement. If customers object to any practices and policies in this statement, they may choose not to submit their personal information to PAMI through this website or any other channels.

While PAMI uses reasonable efforts to ensure the accuracy of the information on its website, PAMI does not warrant its absolute accuracy or accept any liability for any loss or damage resulting from any inaccuracy or omission. Without prior permission from PAMI, no information contained on this website may be copied, except for personal use, or redistributed.

PAMI recognizes its responsibilities in relation to the collection, holding, processing, or using of personal data. The provision of a customer's personal data is voluntary. The customer may choose not to provide PAMI with the requested data but failure to do so may inhibit PAMI's ability to do business with or provide services to its customers. PAMI will not collect any information that will identify its customers personally through its website or other means, unless and until the customer buys its products or services, register as a member, or submit personal information for job application purposes.

The PAMI website is not intended for persons in jurisdictions that restrict the distribution of information by PAMI. If this is applicable to the customer, PAMI advises them to inform themselves about and observe the relevant restrictions, and PAMI does not accept liability in this respect.

How PAMI Collects Data

PAMI will collect and store any information that the customer enters on its website or through any other channel. PAMI may also obtain lawfully collected personal or non-personal information about its customer from affiliated entities, business partners, and other independent third party sources. The Company may also collect some information about the user's computer or other devices used when the customer visits its website.

If the customer makes use of any social media features or platforms, either on the PAMI website, an application that PAMI provides, or otherwise through a social media provider, the Company may access and collect information about the customer via that social media provider in accordance with their policies. When using a social media feature, PAMI may access and collect information that the customer has chosen to make available and to include in their social media profile or account, including but not limited to their name, gender, birthday, email address, address, location, etc. PAMI's access to this information may be limited or blocked based on the customer's privacy settings with the relevant social media provider.

Why PAMI Collects Customer Personal Data and How It May Be Used?

Personal data is collected for the following purposes:

- To process, administer, implement, and effect the requests or transactions contemplated by the forms available on PAMI's website or any other documents the customer may submit to PAMI from time to time;
- To design new or enhance existing products and services provided by PAMI;

- To communicate with customers including to send them administrative communications about any account they may have with PAMI or about future changes to its privacy statement;
- For statistical or actuarial research undertaken by PAMI, the financial services industry or their respective regulators;
- For data matching, internal business and administrative purposes;
- To assist in law enforcement purposes, investigations by police or other government or regulatory authorities and to meet requirements imposed by applicable laws and regulations or other obligations committed to government or regulatory authorities;
- To personalise the appearance of its websites, provide recommendations of relevant products, and provide targeted advertising on its website or through other channels;
- Other purposes as notified at the time of collection; and
- Other purposes directly relating to any of the above.

By providing their personal information to PAMI, the customer accepts that PAMI may retain their information for as long as necessary, to fulfill the purpose(s) for which it is collected in compliance with applicable laws and regulations. PAMI applies reasonable security measures to prevent unauthorized or accidental access, processing, erasure, loss, or use including limiting physical access to data within PAMI's systems and encryption of sensitive data when transferring such data. Reasonable steps will be taken to delete or destroy the information when it is no longer necessary for any of the purpose above.

For PAMI's policy on the use of the customer's personal data for promotional or marketing purposes, please see the section entitled "Use of Personal Data for Direct Marketing Purposes".

Who May PAMI Provide with its Customers' Personal Data?

Personal data will be kept confidential but may, where permitted by law and where such disclosure is necessary to satisfy the purpose or a directly related purpose for which the personal data was collected, provide such personal data to the following parties (for PAMI's policy on sharing of customer's personal data for promotional and marketing purposes, please see the section entitled "Use of Personal Data for Direct Marketing Purposes"):

- Any person authorised to act as an agent of PAMI in relation to the distribution of products and services offered by PAMI;
- Any agent, contractor or third party service provider (within or outside PAMI) who provides administration, data processing, telecommunications, computer, payment, debt collection or securities clearing, technology outsourcing, call centre services, mailing and printing services in connection with the operation of PAMI's business and PAMI's provision of services to its customers;
- Any member company of PAMI in relation to the provision or marketing of insurance services;
- Any agent, contractor or third party service provider (within or outside PAMI) including companies that help deliver its services, such as reinsurance companies, investment management companies, claims investigation companies, industry associations or federations;
- Other companies that help gather customer information or communicate with them, such as research companies and ratings agencies, in order to enhance the services provided to them; and

- Government or regulatory bodies or any person to whom a PAMI company must disclose data: (a) under a legal and/or regulatory obligation in that jurisdiction applicable to that particular PAMI company; or (b) pursuant to an agreement between the PAMI company and the relevant government, regulatory body, or other person.

In relation to any personal data collected by PAMI whilst providing any services in respect of its mandatory provident fund master trust schemes, such personal data would only be transferred to the above parties for the purpose of providing any mandatory provident fund related services. From time to time, PAMI may purchase a business or sell one or more of its businesses (or portions thereof) and where permitted by law the customer's personal data may be transferred or disclosed as a part of the purchase or sale or a proposed purchase or sale. In the event that PAMI purchases a business, the personal data received with that business would be treated in accordance with this privacy statement, if it is practicable and permissible to do so.

Where permitted by law, the customer's personal data may be provided to any of the above parties who may be located in the Philippines or outside of Philippines. The customer's information may be transferred to, stored, and processed in the Philippines or any other jurisdictions where any PAMI company is located, or jurisdictions where a third party contractor is located or from which the third party contractor provides services to PAMI. By providing PAMI with their personal information or using its services or its website or applications, the customer consents to the transfer of such information outside their jurisdiction to PAMI's facilities or to those third parties with whom PAMI shares it as described above.

Access Rights to Personal Data

The Customer has the right to:

- Verify whether PAMI holds any personal data about them and to access any such data;
- Require PAMI to correct any personal data relating to them which is inaccurate; and
- Enquire about PAMI's policies and practices in relation to personal data.
- Access, correction or other queries relating to their personal data;
- Suspend, withdraw or order the blocking, removal, or destruction of his or her personal data from the Company's filing system as allowed by provisions of the data privacy act and its implementing rules and regulations; and
- Object to the processing of his or her personal data as allowed by the provisions of the data privacy act and its implementing rules and regulations.
- Any Data Privacy concerns may be directed to PAMI's Data Privacy Officer.

ANGELA PAOLA V. REYES
Data Privacy Officer
Philam Asset Management, Inc.
17/F Philam Life Head Office, Net Lima Building
5th Avenue cor 26th Street, Bonifacio Global City (BGC), Taguig
1634 Philippines
521-6300 loc 2763

PAMI has the right to charge costs which are directly related to and necessary for the processing of any personal data access request.

Use of Personal Data for Direct Marketing Purposes

In addition to the purposes set out above, where permitted by law, PAMI and its affiliates may use the customer's name and contact details for promotional or marketing purposes including sending promotional materials and conducting direct marketing in relation to the following products, services, advice and subjects: insurance; annuities; Mandatory Provident Fund/Occupational Retirement Schemes Ordinance Fund wealth management; investment; banking; financial services; credit cards; medical/health treatment; educational; recruitment; training; reward/loyalty/privilege programmes; charitable/non-profitable causes; ("Classes of Marketing Subjects"). However, in relation to any personal data collected by PAMI whilst providing any services in respect of its mandatory provident fund master trust schemes, such personal data would only be used for promoting or marketing any products or services that are directly related to its mandatory provident fund schemes.

For the purposes of direct marketing, PAMI may, where permitted by law, provide the customer's personal information (with the exception of any personal data collected by PAMI whilst providing any services in respect of its mandatory provident fund master trust schemes) to providers (whether within or outside of PAMI) of any of the Classes of Marketing Subjects described above and call center, marketing or research services so that they can send the customer promotional materials and conduct direct marketing in relation to the products and services they offer (these materials may be sent to the customer by postal mail, email, or other means). Where permitted by law, PAMI may provide its customer's personal data to providers (whether within or outside of PAMI) of any of the Classes of Marketing Subjects for gain.

Before using or providing the customer's personal data for the purposes and to the transferees set out in this section, PAMI may be required by law to obtain its customer's written consent. In such cases, only after having obtained such written consent, PAMI may then use and provide its customer's personal data for any promotional or marketing purpose.

The types of personal data that PAMI would use and provide for direct marketing purposes as described above are the customer's name and relevant contact details, although PAMI may possess additional personal data.

If the customer's consent is required and they provide such consent, they may thereafter withdraw their consent to the use and provision to a third party by PAMI of their personal data for direct marketing purposes. Thereafter PAMI shall cease to use or provide such data for direct marketing purposes.

If the customer has provided consent and wish to withdraw it, they should inform PAMI by writing to the address in the section on "Access Rights to Personal Data" or sending an email through phi.philamasset@aia.com. Any such request should clearly state details of the personal data in respect of which the request is being made.

Use of Cookies

Cookies are unique identifiers placed on user's computers or other device by a web server, which contains information that can later be read by the server that issued

the cookie to them. PAMI may use cookies on various websites it maintains. The information collected (including but not limited to: the user's IP addresses (and domain names), browser software, types and configurations of their browser, language settings, geo-locations, operating systems, referring website, pages and content viewed, and durations of visits) will be used for compiling aggregate statistics on how its visitors reach and browse its websites to help them understand how they can improve users' experience on it. Such information is collected anonymously and the user cannot be identified unless they have logged on as a member. PAMI uses such data only for website enhancement and optimization purposes. The cookies also enable its website to remember the user and their preferences, and tailor the website for their needs. Advertising cookies will allow it to provide advertisements on its websites that are as relevant to its users as possible, e.g. by selecting interest-based advertisements for them, or preventing the same advertisement from constantly reappearing to them.

Most web browsers are initially set up to accept cookies. If the user does not want to receive cookies, they can disable this function in their browser settings. However, by doing so they may not be able to fully enjoy the benefits of the PAMI websites and certain features may not work properly.

External Links

If any part of the PAMI website contains links to other websites, those sites may not operate under PAMI's privacy statement. Customers are advised to check the privacy statements of those websites to understand their policies on the collection, usage, transferal, and disclosure of personal data.

Amendments to the PAMI Privacy Statement

PAMI reserves the right, at any time and without notice, to add to, to change, to update, or to modify its privacy statement, simply by notifying customers of such change, update, or modification. If PAMI decides to change its personal data policy, those changes will be notified on the PAMI website so that the customers are always aware of what information PAMI collects, how PAMI uses the information, and under what circumstances the information is disclosed. Any such change, update, or modification will be effective immediately upon posting.

Additional Information

Should customers have any questions on any part of the PAMI privacy statement or would like additional information regarding PAMI's data privacy practices, they are enjoined to contact PAMI by the contact details above.

Employees

The Fund employs no personnel as it functions solely through its Fund Manager, PAMI.

Properties

The Fund does not own any real or personal properties (such as real estate, plant and equipment, mines, patent, etc.). Neither does the Fund lease any property nor does it intend to acquire any real or personal properties within the next 12 months.

Legal Proceedings

There is no pending litigation or arbitration proceedings where the Fund is a party and no litigation or claim of material importance is known to the Directors of the Fund to be pending or threatened against the Fund during the past five (5) years up to the date of this Prospectus.

TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Company. This discussion is based upon laws, rules and regulations, rulings, income tax conventions (treaties), administrative practices, and judicial decisions in effect at the date of this Prospectus. Subsequent legislative, judicial, or administrative changes or interpretations, which may be retroactive in nature, could affect tax consequences to the prospective investor.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be applicable to an investor.

This general description does not purport to be a comprehensive description of the Philippine tax aspects of the investment in shares and no information is provided regarding the tax aspects of acquiring, owning, holding, or disposing of the shares under applicable tax laws of other pertinent jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding, and disposing of the shares in such other jurisdictions.

The terms "resident alien," "non-resident citizen," "non-resident alien," "resident foreign corporation," and "non-resident foreign corporation" are used in the same manner as in the Tax Code.

A "resident alien" is an individual whose residence is within the Philippines and who is not a citizen thereof.

A "non-resident citizen" is a citizen of the Philippines who: (a) established to the satisfaction of the Commissioner of Internal Revenue the fact of his/her physical presence abroad with a definite intention to reside therein; (b) leaves the Philippines during the taxable year to reside abroad, either as an immigrant or for employment on a permanent basis; or (c) works and derives income from abroad and whose employment thereat requires him to be physically present abroad most of the time during the taxable year. A citizen of the Philippines who has been previously considered as a non-resident citizen and who arrives in the Philippines at any time during the taxable year to reside permanently in the Philippines shall be treated as a non-resident citizen for the taxable year in which he/she arrives in the Philippines with respect to his/her income derived from sources abroad until the date of his/her arrival in the Philippines.

A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. A "non-resident alien" may either be engaged or not engaged in trade or business in the Philippines. A "non-resident alien" who stays in the Philippines for an aggregate period of more than 180 days during any calendar year is deemed a "non-resident alien doing business in the Philippines."

A "resident foreign corporation" refers to a foreign corporation engaged in trade or business in the Philippines, while a "non-resident foreign corporation" refers to a foreign corporation not engaged in trade or business in the Philippines.

A resident citizen is taxed on income from all sources (other than certain passive income and capital gains) at progressive rates ranging from 5.00% to 32.00% of net taxable income. A non-resident alien engaged in trade or business in the Philippines is generally subject to tax on net income from Philippine sources (other than certain passive income and capital gains) at the same progressive tax rates imposed on resident aliens and citizens.

A non-resident alien not engaged in trade or business in the Philippines is taxed on gross income from Philippine sources (other than certain passive income and capital gains) at the rate of 25.00% withheld at source.

Below is a short discussion of the pertinent taxes with respect to the transactions of the Fund and the shareholders in the Fund.

THE FUND

Corporate Income Tax

A domestic corporation is subject to a tax of 35.00% (currently scheduled to be reduced to 30.00% beginning in 2009) of its taxable income (gross income less allowable deductions) from all sources within and outside the Philippines except those items of income that are subject to final withholding tax, such as: (a) gross interest income from Philippine currency bank deposits and yield or any other monetary benefit from deposit substitutes, trust funds, and similar arrangements as well as royalties from sources within the Philippines that are generally taxed at the lower final withholding tax rate of 20.00% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system that is subject to a final tax at the rate of 7.50% of such income

A resident foreign corporation (except certain types of corporations enumerated in the Tax Code) is subject to a tax of 35.00% (currently scheduled to be reduced to 30.00% beginning in 2009) of its taxable income (gross income less allowable deductions) from all sources within the Philippines except those items of income that are subject to final withholding tax, such as: (a) gross interest income from Philippine currency bank deposits and yield or any other monetary benefit from deposit substitutes, trust funds, and similar arrangements as well as royalties from sources within the Philippines that are generally taxed at the lower final withholding tax rate of 20.00% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system that is subject to a final tax at the rate of 7.50% of such income.

A minimum corporate income tax of 2.00% of the gross income as of the end of the taxable year is imposed on a domestic corporation, as well as on a resident foreign corporation (other than an international carrier, an offshore banking unit, or a regional or area headquarters or regional operating headquarters of a multinational company), beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the regular income tax for the taxable year. Any excess of the minimum corporate income tax over the ordinary corporate income tax shall be carried forward and credited against the latter for the three (3) immediately succeeding taxable years. Further, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation that suffers from losses on account of a prolonged labor dispute, or because of force majeure, or because of legitimate business reverses.

The President of the Philippines may, upon the recommendation of the Secretary of Finance and upon occurrence of certain macroeconomic conditions, allow domestic and resident foreign corporations the option to be taxed on a gross basis at the rate of 15.00%. This authority has not been exercised to date.

A final withholding tax of 35.00% is imposed, as a general rule, upon the gross income received during each taxable year of a non-resident foreign corporation from all sources within the Philippines, subject to the provisions of tax treaties between the Philippines and the country of residence of such foreign corporation.

THE SHAREHOLDER

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual stockholders who are either citizens or residents of the Philippines are subject to final withholding tax at the rate of 10.00%. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20.00% final withholding tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are generally subject to final withholding tax at the rate of 25.00% of the gross amount subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals. A non-resident alien who comes to the Philippines and stays in the country for an aggregate period of more than 180 days during any calendar year will be deemed a non-resident alien engaged in business in the Philippines.

Cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to tax while those received by non-resident foreign corporations (i.e. foreign corporations not engaged in trade or business in the Philippines) are subject to final withholding tax at the rate of 35.00% until end-2008 (with a reduced final withholding tax at the rate of 30.00% from 2009 onwards).

The 35.00% rate may also be reduced to 15.00% if the country in which the non-resident foreign corporation is domiciled imposes no tax on foreign-sourced dividends or allows a credit against the tax due from the non-resident foreign corporation, for taxes deemed to have been paid in the Philippines equivalent to 20.00%. Effective on January 1, 2009, the credit against the tax due shall be 15.00%.

The 35.00% rate for dividends paid to a non-resident foreign corporation may be reduced if the country of residence of such foreign corporation has an existing tax treaty with the Philippines and such treaty provides for a preferential tax rate.

Philippine tax authorities have prescribed, through an administrative issuance, certain procedures for availment of tax treaty relief. Subject to the approval by the BIR of the Company's application for tax treaty relief, the Company shall withhold taxes at a reduced rate on dividends to be paid to a non-resident holder, if such non-resident holder provides the Company with proof of residence and if applicable, individual or corporate status. Proof of residence for an individual consists of certification from his/her embassy, consulate, or other equivalent certification issued by the proper government authority, or any other official document proving tax residence. If the regular tax rate is withheld by the Company instead of the reduced rates applicable under the treaty, the non-resident holder of the shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal if the claim is denied by the BIR. The filing of a claim for refund may therefore prove to be impractical. Stock dividends distributed pro-rata to any holder of shares of stock are not subject to Philippine income tax.

Sale, Exchange or Disposition of Shares

Gains from Redemption of Shares

Gains realized by the shareholder upon redemption of his shares of stock in the Fund are not subject to tax.

Documentary Stamp Tax

The original issuance of shares of stock is subject to documentary stamp tax of Php1.00 for each Php200.00 par value or a fraction thereof, of the shares of stock issued. On the other hand, the sale, transfer, or other disposition of shares of stock (including the re-issuance of previously redeemed shares of stock) is subject to a documentary stamp tax of Php0.75 for each Php200.00 par value or a fractional part thereof of the shares sold, transferred, or otherwise disposed of.

Estate and Gift Taxes

Shares issued by a corporation organized under Philippine laws are deemed to have a Philippine *situs*, and any transfer thereof by way of succession or donation even if made by a non-resident decedent or donor outside the Philippines, is subject to Philippine estate or donor's tax.

Subject to certain exceptions, the transfer of shares upon the death of an individual holder to his/her heirs by way of succession, whether such holder was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine taxes at progressive rates ranging from 5.00% to 20.00%, if the net estate is over Php200,000.00. On the other hand, individual and corporate holders, whether or not citizens or residents of the Philippines, who transfer shares by way of gift or donation will be liable to Philippine donor's tax on such transfers at progressive rates ranging from 2.00% to 15.00% of the net gifts during the year exceeding Php100,000.00. The rate of tax with respect to net gifts made to a stranger (i.e. one who is not a brother, sister, spouse, ancestor, lineal descendant or relative by consanguinity within the fourth degree of relationship) is a flat rate of thirty percent (30.00%) of the net gifts.

Estate and donor's taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock: (a) if the decedent at the time of his/her death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his/her death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his/her death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS/HER OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING AND DISPOSING OF THE PSGF SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NATIONAL TAX LAWS.

EXHIBIT I

SUMMARY OF FEES AND OTHER CHARGES

REDEMPTION FEES			
PLACEMENT PERIOD	EXIT FEE	12% VAT ON EXIT FEE	EXIT FEE + 12% VAT
Less than six (6) months	1.00%	0.12%	1.12%
Six (6) months and above	0.00%	0.00%	0.00%
FOR PMIF			
Less than seven (7) days	1.00%	0.12%	1.12%
Eight (8) days and above	0.00%	0.00%	0.00%

SALES LOAD SCHEDULE			
INVESTMENT AMOUNT (IN PHP)	SALES LOAD	12% VAT ON SALES LOAD	SALES LOAD + 12% VAT
Less than 100,000	3.0%	0.36%	3.36%
100,000 to 499,999.99	2.5%	0.30%	2.80%
500,000 to 999,999.99	2.0%	0.24%	2.24%
1,000,000 to 4,999,999.99	1.5%	0.18%	1.68%
5,000,000 to 9,999,999.99	1.0%	0.12%	1.12%
10,000,000 and above	0.5%	0.06%	0.56%

COMMISSIONS		
Commission Type	Definition	Rate
Regular Commission	a percentage share of the entry fee/sales load earned on new investments and varies per channel based on provisions set forth in the MOA	range of 50 to 100%
Trail Commission	a share on the management fee based on average assets under management on total net-referred investments	range of 25 to 120bps

SIGNATURES

ROBERTO F. DE OCAMPO Chairman TIN: 120-115-828	REYNALDO G. GERONIMO President and Director TIN: 123-102-993
ARLEEN MAY S. GUEVARA Director TIN: 135-913-440	ARMAND F. BRAUN, JR. Director TIN: 137-000-213
MELITON B. SALAZAR, JR. Director TIN: 144-499-695	ERIC S. LUSTRE Director TIN: 107-168-308
ELENITA G. VILLAMAR Director and Treasurer TIN: 110-862-513	MA. ADELINA S. GATDULA Corporate Secretary TIN: 107-043-114
MAUREEN CHRISTINE O. LIZARONDO Assistant Corporate Secretary TIN: 417-735-231	

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

Before me, a Notary Public for and in _____ this _____ day of _____, personally appeared the following:

Name	Identification No.	City	Date Issued
Roberto F. de Ocampo	EC6721113	NCR Central	10 Feb 2016
Reynaldo G. Geronimo	EC2113508	Manila	16 Sept 2014
Arleen May S. Guevara	EB6348267	Manila	14 Sept 2012
Ferdinand L. Berba	EB6080888	Manila	03 Aug 2012
Elenita G. Villamar	EC6020576	Manila	02 Dec 2015
Armand F. Braun, Jr.	EB7437939	Manila	20 Feb 2013
Meliton B. Salazar, Jr.	EC6631952	NCR East	28 Jan 2016
Ma. Adelina S. Gatdula	EB7291992	Manila	04 Feb 2013
Maureen Christine O. Lizarondo	EC7916069	Pampanga	04 June 2016

Known to me and to me known to be the same persons who executed the forgoing instruments and they acknowledged to me that the same is their free and voluntary act and deed

WITNESS MY HAND AND SEAL on the date and place first above-mentioned.

Doc. No. ____;
Page No. ____;
Book No. ____;
Series of 2018.