

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of ALFM Euro Bond Fund Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended 31 December 2021 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

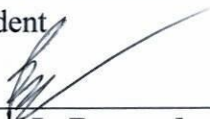
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Isla Lipana & Co., the independent auditor, appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



Simon R. Paterno
President



Romeo L. Bernardo
Chairman of the Board



Fernando J. Sison III
Treasurer

APR 17 2023

City of Manila

Signed this ____ day of _____

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES
MAKATI, METRO MANILA

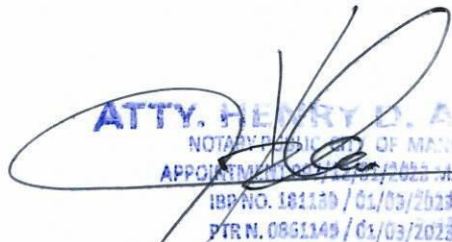
BEFORE ME, a Notary Public for and in the above jurisdiction, personally appeared:

| Name | Tax Identification No. |
|-----------------------|------------------------|
| ROMEO L. BERNARDO | 124-135-087 |
| SIMON R. PATERNO | 203-010-472 |
| FERNANDO J. SISON III | 135-565-275 |

Known to me to be the same persons who executed the foregoing CERTIFICATE, consisting of 2 pages including this page wherefore this Acknowledgement is written and they acknowledge to me that the same is their voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and place first above written.

Doc. No. 276
Page No. 33
Book No. 59
Series of 2023


ATTY. HENRY D. ADRIANO
NOTARY PUBLIC OF MANILA
APPOINTMENT NO. 177/2023-MANILA
IBP NO. 181159 / 01/03/2023
PTR N. 0861149 / 01/03/2023
ROLL NO. 29679, TIN NO. 172-928-620
MCLE COMP. NO. VII-0009165 VALID UNTIL APRIL 14, 2025
1811 TAYUMAS ST., 556 GULF, MANILA

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

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Principal Office (No./Street/Barangay/City/Town/Province)

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Department requiring the report

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Secondary License Type, if applicable

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COMPANY INFORMATION

Company's Email Address

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Company's Telephone Number(s)

| |
|-----------------|
| (632) 8580-0900 |
|-----------------|

Mobile Number

| |
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| |
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No. of Stockholders

| |
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Annual Meeting (Month/Day)

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Fiscal Year (Month/Day)

| |
|-------|
| 12/31 |
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CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

| |
|---------------------|
| Marcelo M. Verdillo |
|---------------------|

Email Address

| |
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| |
|--|

Telephone Number(s)

| |
|-----------------|
| (632) 8580-3573 |
|-----------------|

Mobile Number

| |
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Contact Person's Address

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|--|
| |
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Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.



Independent Auditor's Report

To the Board of Directors and Shareholders of
ALFM Euro Bond Fund, Inc.
19th Floor, BPI Buendia Center
Sen. Gil J. Puyat Avenue
Makati City

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ALFM Euro Bond Fund, Inc. (the "Fund") as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The financial statements of the Fund comprise:

- the statements of financial position as at December 31, 2022 and 2021;
- the statements of comprehensive income for each of the three years in the period ended December 31, 2022;
- the statements of changes in equity for each of the three years in the period ended December 31, 2022;
- the statements of cash flows for each of the three years in the period ended December 31, 2022; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

We are independent of the Fund in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.



Independent Auditor's Report
To the Board of Directors and Shareholders of
ALFM Euro Bond Fund, Inc.
Page 2

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



Independent Auditor's Report
To the Board of Directors and Shareholders of
ALFM Euro Bond Fund, Inc.
Page 3

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

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

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



Isla Lipana & Co.

Independent Auditor's Report
To the Board of Directors and Shareholders of
ALFM Euro Bond Fund, Inc.
Page 4

Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 15 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

A handwritten signature in black ink, appearing to read 'Zaldy D. Aguirre', is written over a horizontal line.

Zaldy D. Aguirre
Partner

CPA Cert No. 0105660

P.T.R. No. 0024447, issued on January 9, 2023, Makati City

SEC A.N. (individual) as general auditors 105660-SEC, Category A; valid to audit 2020 to 2024
financial statements

SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024
financial statements

TIN 221-755-698

BIR A.N. 08-000745-077-2020, issued on December 14, 2020; effective until December 13, 2023

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

Makati City
April 13, 2023



Isla Lipana & Co.

Statements Required by Rule 68,
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
ALFM Euro Bond Fund, Inc.
19th Floor, BPI Buendia Center
Sen. Gil J. Puyat Avenue
Makati City

We have audited the financial statements of ALFM Euro Bond Fund, Inc. as at and for the year ended December 31, 2022, on which we have rendered the attached report dated April 13, 2023. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration as at December 31, 2022, and Schedules A,B,C,D,E,F and G, as required by Rule 68 of the Securities Regulation Code, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Rule 68 of the Securities Regulation Code.

Isla Lipana & Co.

A handwritten signature in black ink, appearing to read 'Zaldy D. Aguirre', is written over a horizontal line.

Zaldy D. Aguirre
Partner

CPA Cert No. 0105660

P.T.R. No. 0024447, issued on January 9, 2023, Makati City

SEC A.N. (individual) as general auditors 105660-SEC, Category A; valid to audit 2020 to 2024
financial statements

SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024
financial statements

TIN 221-755-698

BIR A.N. 08-000745-077-2020, issued on December 14, 2020; effective until December 13, 2023

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

Makati City
April 13, 2023

ALFM Euro Bond Fund, Inc.

Statements of Financial Position
A at December 31, 2022 and 2021
(All amounts in Euro)

| | Notes | 2022 | 2021 |
|--|-------|-------------------|-------------------|
| <u>ASSETS</u> | | | |
| ASSETS | | | |
| Cash in bank | 2 | 518,449 | 452,753 |
| Short-term investments | 3 | 1,000,000 | 1,000,000 |
| Financial assets at fair value through profit or loss | 4 | 4,944,538 | 5,717,493 |
| Investment securities at amortized cost | 5 | 8,996,850 | 10,016,092 |
| Deferred tax asset | 7 | 73,734 | - |
| Other receivables | | 69,132 | 80,627 |
| Total assets | | 15,602,703 | 17,266,965 |
| <u>LIABILITIES AND EQUITY</u> | | | |
| LIABILITIES | | | |
| Management and distribution fees payable and other liabilities | 6 | 5,198 | 6,481 |
| Income tax payable | | 251 | 1,868 |
| Deferred income tax liability | 7 | - | 27,460 |
| Total liabilities | | 5,449 | 35,809 |
| EQUITY | | | |
| Redeemable shares | 8 | 10,575,382 | 11,269,753 |
| Share premium | | 2,857,805 | 3,183,476 |
| Retained earnings | | 2,164,067 | 2,777,927 |
| Total equity | 9 | 15,597,254 | 17,231,156 |
| Total liabilities and equity | | 15,602,703 | 17,266,965 |

(The notes on pages 1 to 24 are integral part of these financial statements)

ALFM Euro Bond Fund, Inc.

Statements of Comprehensive Income
For each of the three years in the period ended December 31, 2022
(All amounts in Euro)

| | Notes | 2022 | 2021 | 2020 |
|---|-------|-----------|---------|---------|
| INCOME | | | | |
| Interest income | 2,3,5 | 105,967 | 84,473 | 93,260 |
| (Losses) gains from financial assets at fair value through profit or loss | 4 | (715,229) | 33,927 | 91,672 |
| Foreign exchange (losses) gains | | (137) | (81) | 10,062 |
| Others | | - | - | 203 |
| | | (609,399) | 118,319 | 195,197 |
| EXPENSES | | | | |
| Management and distribution fees | 10 | 60,106 | 64,032 | 62,757 |
| Taxes and licenses | | 6,441 | 13,473 | 10,087 |
| Custodian fee | 11 | 1,410 | 3,630 | 1,380 |
| Directors' fees | 10 | 7,762 | 1,217 | 1,960 |
| Professional fees | | 1,763 | 700 | 945 |
| Others | | 5,715 | 5,068 | 3,808 |
| | | 83,197 | 88,120 | 80,937 |
| (LOSS) INCOME BEFORE INCOME TAX | | (692,596) | 30,199 | 114,260 |
| INCOME TAX (BENEFIT) EXPENSE | 7 | (84,639) | 1,652 | 24,147 |
| NET INCOME (LOSS) FOR THE YEAR | | (607,957) | 28,547 | 90,113 |
| OTHER COMPREHENSIVE INCOME | | - | - | - |
| TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR | | (607,957) | 28,547 | 90,113 |
| BASIC AND DILUTED (LOSS) EARNINGS PER SHARE | 8 | (8.07) | 0.37 | 1.17 |

(The notes on pages 1 to 24 are integral part of these financial statements)

ALFM Euro Bond Fund, Inc.

Statements of Changes in Equity
For each of the three years in the period ended December 31, 2022
(All amounts in Euro)

| | Redeemable shares (Note 8) | Share premium | Retained earnings | Total equity (Note 9) |
|---|----------------------------------|------------------|----------------------|--------------------------|
| Balance at January 1, 2020 | 11,374,413 | 3,234,344 | 2,655,874 | 17,264,631 |
| Comprehensive income | | | | |
| Net income for the year | - | - | 90,113 | 90,113 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the year | - | - | 90,113 | 90,113 |
| Transactions with owners | | | | |
| Issuance of shares | 714,438 | 365,302 | - | 1,079,740 |
| Redemption of shares | (1,045,166) | (534,409) | 3,583 | (1,575,992) |
| Total transactions with owners | (330,728) | (169,107) | 3,583 | (496,252) |
| Balance at December 31, 2020 | 11,043,685 | 3,065,237 | 2,749,570 | 16,858,492 |
| Comprehensive income | | | | |
| Net income for the year | - | - | 28,547 | 28,547 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the year | - | - | 28,547 | 28,547 |
| Transactions with owners | | | | |
| Issuance of shares | 978,039 | 511,543 | - | 1,489,582 |
| Redemption of shares | (751,971) | (393,304) | (190) | (1,145,465) |
| Total transactions with owners | 226,068 | 118,239 | (190) | 344,117 |
| Balance at December 31, 2021 | 11,269,753 | 3,183,476 | 2,777,927 | 17,231,156 |
| Comprehensive loss | | | | |
| Net loss for the year | - | - | (607,957) | (607,957) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss for the year | - | - | (607,957) | (607,957) |
| Transactions with owners | | | | |
| Issuance of shares | 464,118 | 217,678 | - | 681,796 |
| Redemption of shares | (1,158,489) | (543,349) | (5,903) | (1,707,741) |
| Total transactions with owners | (694,371) | (325,671) | (5,903) | (1,025,945) |
| Balance at December 31, 2022 | 10,575,382 | 2,857,805 | 2,164,067 | 15,597,254 |

(The notes on pages 1 to 24 are integral part of these financial statements)

ALFM Euro Bond Fund, Inc.

Statements of Cash Flows
For each of the three years in the period ended December 31, 2022
(All amounts in Euro)

| | Notes | 2022 | 2021 | 2020 |
|---|-------|-------------|-------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| (Loss) income before income tax | | (692,596) | 30,199 | 114,260 |
| Adjustments for: | | | | |
| Unrealized fair value loss (gains), net | 4 | 760,189 | 42,483 | (19,059) |
| Unrealized foreign exchange loss (gains) | | (16) | 81 | 3 |
| Interest income | 2,3,5 | (105,967) | (84,473) | (93,260) |
| Interest received | | 117,461 | 80,993 | 76,550 |
| Operating income before changes in operating assets and liabilities | | 79,071 | 69,283 | 78,494 |
| Changes in operating assets and liabilities | | | | |
| Decrease (increase) in: | | | | |
| Financial assets at fair value through profit or loss | | 12,766 | (328,551) | 3,874,112 |
| Investment securities at amortized cost | | 1,019,243 | (110,618) | (3,201,131) |
| (Decrease) Increase in: | | | | |
| Management and distribution fees payable and other liabilities | | (1,282) | 68 | (194) |
| Cash generated from (used in) operations | | 1,109,798 | (369,818) | 751,281 |
| Income taxes paid | | (18,173) | (11,712) | (107,517) |
| Net cash from (used in) operating activities | | 1,091,625 | (381,530) | 643,764 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from issuance of shares | 8 | 681,796 | 1,489,582 | 1,079,740 |
| Redemption of shares | 6,8 | (1,707,741) | (1,145,465) | (1,574,896) |
| Net cash (used in) from financing activities | | (1,025,945) | 344,117 | (495,156) |
| NET INCREASE (DECREASE) IN CASH IN BANK | | 65,680 | (37,413) | 148,608 |
| CASH IN BANK | 2 | | | |
| January 1 | | 452,753 | 490,247 | 341,642 |
| Effect of exchange rate changes on cash | | 16 | (81) | (3) |
| December 31 | | 518,449 | 452,753 | 490,247 |

(The notes on pages 1 to 24 are integral part of these financial statements)

ALFM Euro Bond Fund, Inc.

Notes to Financial Statements

As at December 31, 2022 and 2021 and

for each of the three years in the period ended December 31, 2022

(All amounts are in Euro, unless otherwise stated)

Note 1 - General information

ALFM Euro Bond Fund, Inc. (the "Fund") was incorporated in the Philippines primarily to establish and carry on the business of an open-end investment company. It was registered on August 5, 2005 with the Philippine Securities and Exchange Commission (SEC) under the Investment Company Act of 1960 (Republic Act No. 2629) and the Securities Regulation Code (Republic Act 8799).

The Fund aims to provide its shareholders a steady stream of income by investing in foreign currency denominated fixed income instruments. As an open-end investment company, the Fund stands ready at any time to redeem its outstanding shares at a value defined under the Fund's prospectus (Note 9).

The Fund is registered as an issuer of securities with the SEC under Section 12 of the Securities Regulation Code (SRC). In compliance with the SRC, the Fund is required to file registration statements for each instance of increase in authorized shares. The last registration statement filed by the Fund for an increase in authorized shares and permit to offer securities for sale were approved by the SEC on May 30, 2007 and December 20, 2007, respectively (Note 8).

The Fund's registered office is BPI Head Office Building, Ayala Avenue corner Paseo de Roxas, Makati City while its principal place of business is at 19th Floor, BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City.

The Fund has no employees. The principal management and administration functions of the Fund are outsourced from BPI Investment Management, Inc. (the "Fund Manager") (Note 10).

Approval of the financial statements

The financial statements have been approved and authorized for issue by the Fund's Board of Directors (BOD) on April 12, 2023. There are no material event that occurred from April 12, 2023 to April 13, 2023.

Note 2 - Cash in bank

The account at December 31, 2022 and 2021 consists of non-interest bearing savings deposit.

Note 3 - Short-term investments

Short-term investments as at December 31, 2022 and 2021 amounting to €1,000,000 consist of placements in time deposits with maturities of more than three (3) months but not more than one (1) year and bear interest at prevailing market rates.

Interest income earned from short-term investments for the year ended December 31, 2022 amounts to €6,840 (2021 - €5,882; 2020 - €5,898).

Note 4 - Financial assets at fair value through profit or loss

The account at December 31 consists of held for trading investments in:

| | 2022 | | 2021 | |
|-------------------------------------|-----------------------|-----------|-----------------------|-----------|
| | Interest rates (%) | Amount | Interest rates (%) | Amount |
| Philippine sovereign bonds | 0.875 - 1.200 | 1,662,905 | 0.875 - 1.200 | 2,020,555 |
| Mutual funds (Offshore investments) | - | 1,594,980 | - | 1,764,908 |
| Latin America sovereign bonds | 1.125 - 1.625 | 929,785 | 1.125 - 1.625 | 1,066,422 |
| Asia Pacific government bonds | 3.750 | 555,817 | 3.750 | 663,125 |
| European corporate bonds | - | 201,051 | - | 202,483 |
| | | 4,944,538 | | 5,717,493 |

The maturity patterns of the debt securities follow:

| | 2022 | 2021 |
|---------------------------------------|-----------|-----------|
| Due in one year or less | 1,796,031 | 1,764,908 |
| Due after one year through five years | 1,361,385 | 202,483 |
| Longer than 5 years | 1,787,122 | 3,750,102 |
| | 4,944,538 | 5,717,493 |

Details of income (losses) from financial assets at fair value through profit or loss for the year ended December 31 follow:

| | 2022 | 2021 | 2020 |
|-------------------------------|-----------|----------|--------|
| Interest income | 44,960 | 63,418 | 52,870 |
| Other changes | | | |
| Net realized gains | - | 12,992 | 19,743 |
| Net unrealized gains (losses) | (760,189) | (42,483) | 19,059 |
| | (715,229) | 33,927 | 91,672 |

Note 5 - Investment securities at amortized cost

The account at December 31 consists of:

| | 2022 | | 2021 | |
|-------------------------------|-----------------------|-----------|-----------------------|------------|
| | Interest rates (%) | Amount | Interest rates (%) | Amount |
| Philippine sovereign bonds | 0.700 - 1.750 | 2,903,046 | 0.700 - 1.750 | 2,902,418 |
| European corporate bonds | 0.100 - 1.125 | 2,485,633 | 0.100 - 1.500 | 3,280,148 |
| Asia Pacific government bonds | 1.450 - 3.750 | 2,032,126 | 1.450 - 3.750 | 2,060,653 |
| US corporates | 1.379 - 2.125 | 713,964 | 1.379 - 2.125 | 719,095 |
| Latin America sovereign bonds | 1.625 | 509,335 | 1.625 | 512,132 |
| Asia Pacific corporate bonds | 1.250 - 1.546 | 352,746 | 1.250 - 3.625 | 541,646 |
| | | 8,996,850 | | 10,016,092 |

The maturity pattern of investment securities at December 31 follows:

| | 2022 | 2021 |
|---------------------------------------|-----------|------------|
| Due in one year or less | 1,149,489 | - |
| Due after one year through five years | 5,599,398 | 2,648,286 |
| Due after five years | 2,247,963 | 7,367,806 |
| | 8,996,850 | 10,016,092 |

Interest income earned from investment securities for the year ended December 31, 2022 amounts to €99,127 (2021 - €78,591; 2020 - €87,362).

Note 6 - Management and distribution fees payable and other liabilities

The account at December 31 consists of:

| | Notes | 2022 | 2021 |
|---|-------|-------|-------|
| Management and distribution fees payable to related parties | 10 | 4,157 | 4,650 |
| Withholding taxes payable | | 755 | 821 |
| Others | | 286 | 1,010 |
| | | 5,198 | 6,481 |

Management and distribution fees payable and other liabilities are considered current as at December 31, 2022 and 2021.

Others represents outstanding documentary stamps tax as at reporting date which have not been settled. The amounts have been paid in the subsequent month after the reporting date.

Note 7 - Income taxes

Corporate Recovery and Tax Incentives for Enterprises Act

On March 26, 2021, Republic Act No.11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, was signed into law with effective date of July 1, 2020. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) rates as follows:

- Reduction of CIT rate to 20% applicable to domestic corporations with total net taxable income not exceeding P5,000,000 and with total assets not exceeding P100,000,000 (excluding land on which the business entity's office, plant and equipment are situated);
- Reduction of CIT rate to 25% shall be applicable to all other corporations subject to regular CIT; and
- Minimum Corporate Income Tax rate shall also be amended to 1%, instead of 2%, for the period beginning July 1, 2020 until June 30, 2023.

Income tax expense (benefit) for the years ended December 31 consists of:

| | 2022 | 2021 | 2020 |
|----------|-----------|----------|--------|
| Current | 16,555 | 12,872 | 18,021 |
| Deferred | (101,194) | (11,220) | 6,126 |
| | (84,639) | 1,652 | 24,147 |

The reconciliation between income tax expense (benefit) at the statutory tax rate to the actual income tax expense (benefit) shown in the statement of total comprehensive income follows:

| | 2022 | 2021 | 2020 |
|---|-----------|---------|---------|
| Income (loss) before income tax | (692,596) | 30,199 | 114,260 |
| Income tax (benefit) at statutory rate | (173,149) | 7,550 | 34,278 |
| Tax effects of: | | | |
| Tax exempt income | - | (2,513) | (9,246) |
| Unrealized loss (gain) | 88,849 | (2,678) | - |
| Interest income subjected to lower tax rate | (339) | - | (885) |
| Impact of CREATE | - | (707) | - |
| Effective income tax expense (benefit) | (84,639) | 1,652 | 24,147 |

The Fund's deferred income tax asset at December 31, 2022 amounting to €74,734 (2021 - deferred tax liability of €27,460) represents taxable temporary difference relating to unrealized fair value loss (gains) on the Fund's investments in Global debt securities under financial assets at fair value through profit or loss.

Note 8 - Redeemable shares

The details of the Fund's authorized shares at December 31, 2022 and 2021 follow:

| | |
|---------------------|-------------------|
| Number of shares | 80,000 |
| Par value per share | P10,000 (€144.36) |
| Amount | €11.5 million |

The movements in the number of redeemable shares for the years ended December 31 follow:

| | 2022 | 2021 | 2020 |
|--|---------|---------|---------|
| Issued and outstanding shares, January 1 | 78,067 | 76,501 | 78,792 |
| Issuance of shares | 3,215 | 6,775 | 4,949 |
| Redemption of shares | (8,025) | (5,209) | (7,240) |
| Issued and outstanding shares, December 31 | 73,257 | 78,067 | 76,501 |

Details of issuances and redemptions of the Fund's redeemable shares for the years ended December 31 follow:

| | 2022 | 2021 | 2020 |
|-----------------------|-----------|-----------|-----------|
| Issuances of shares | 681,796 | 1,489,582 | 1,079,740 |
| Redemptions of shares | 1,707,741 | 1,145,465 | 1,575,992 |

As at December 31, 2022, the Fund has 658 shareholders (2021 - 692).

On February 8, 2006, the BOD and shareholders approved to increase the Fund's authorized share capital from 20,000 shares to 6 million shares with par value of P10,000 per share, which will be applied in tranches.

The SEC approved on October 13, 2006 the first tranche in the increase of authorized share capital from 20,000 shares to 50,000 shares with par value of P10,000 per share.

The SEC approved on May 30, 2007 and December 20, 2007 the second tranche in the increase in authorized share capital from 50,000 shares to 80,000 shares at P10,000 per share and the permit to offer securities for sale, respectively.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of outstanding redeemable shares and the corresponding shares for the amount of deposit for future subscriptions received during the year, if any.

The information used in the computation of basic and diluted earnings (loss) per share for the years ended December 31 follows:

| | 2022 | 2021 | 2020 |
|---|-----------|--------|--------|
| Net (loss) income for the year | (607,957) | 28,547 | 90,113 |
| Weighted average number of shares outstanding during the year | 75,310 | 77,655 | 77,064 |
| Basic and diluted (loss) earnings per share | (8.07) | 0.37 | 1.17 |

The following are the features of shares:

- i. The Shares have identical rights and privileges, including voting rights. Each Share entitles the holder thereof to one vote at any meeting of Shareholders of the Fund. Shareholders shall have cumulative voting rights for the election of the Fund's directors.
- ii. Each Shareholder of the Fund shall be entitled to require the Fund to purchase, but not in the event and to the extent that the Fund has no assets legally available for such purpose whether arising out of capital, paid-in surplus or other surplus, net profits or otherwise, all or any part of the Shares outstanding in the name of such Shareholder in the books of the Fund, but only at the Redemption Price as of the valuation day on which a Redemption Order is made.
- iii. Shareholders have no pre-emptive right.
- iv. Dividends payable out of the surplus profits of the Fund may be declared at such time as the Board of Directors shall determine. No dividend shall be declared which shall impair the capital of the Fund. Stock dividends may be declared in accordance with law. The Fund may pay dividends in cash, property or in additional shares.
- v. Shareholders have appraisal right.

Note 9 - Net Asset Value (NAV) for share subscriptions and redemptions

The consideration received or paid for redeemable shares issued or re-purchased, respectively, is based on the value of the Fund's trading NAV per share at the date of the transaction. The total equity as shown in the statement of financial position represents the Fund's NAV based on PFRS ("PFRS NAV").

In accordance with the provisions of the Fund's prospectus and risk management policy, the Fund sets up provision for market risk on its investment portfolio which is adjusted from the PFRS NAV to arrive at the Fund's NAV for purposes of share subscriptions and redemptions ("trading NAV"). The policy which has been adopted for the best interest of the Fund's investors is designed to protect the Fund against sharp fluctuations, thereby allowing the Fund to meet its investment objective, which is to generate a steady stream of income through investments in a diversified portfolio of high-grade fixed-income instruments. The allowance for market risk shall be subject to the BOD's periodic review.

The movement in accumulated adjustment for market risk follows:

| | 2022 | 2021 |
|---|---------|----------|
| At January 1 | 84,157 | 127,642 |
| Provision for market risk during the year | 79,472 | (43,485) |
| At December 31 | 163,629 | 84,157 |

Reconciliation of the Fund's PFRS NAV to its trading NAV at December 31 is provided below:

| | Note | 2022 | 2021 |
|--|------|------------|------------|
| PFRS NAV | | 15,597,254 | 17,231,156 |
| Allowance for market risk | | (163,629) | (84,157) |
| Recognition of income tax payable | | 251 | 1,868 |
| Recognition of deferred income tax (asset) liability | 7 | (73,734) | 27,460 |
| Trading NAV | | 15,360,142 | 17,176,327 |

In accordance with the provisions of the Fund's prospectus, financial assets at fair value through profit or loss are valued based on the last traded market prices in the computation of the NAV for purposes of share issuances and redemptions ("trading NAV").

The Fund computes its trading NAV per share by dividing the trading NAV as at reporting date by the number of issued and outstanding shares during the year including shares for issuances covered by deposits for future subscriptions, if any.

The trading NAV per share at December 31 is calculated as follows:

| | Note | 2022 | 2021 |
|---|------|------------|------------|
| Trading NAV | | 15,360,142 | 17,176,327 |
| Total number of shares issued and outstanding | 8 | 73,257 | 78,067 |
| Trading NAV per share | | 209.67 | 220.02 |

As disclosed in Note 1, the Fund is an open-end investment company which stands ready at any time to redeem its outstanding shares at a value defined under its prospectus (trading NAV). Any changes in the value of the shareholders' investment are reflected in the increase or decrease in the Fund's trading NAV.

Note 10 - Related party transactions

BIMI, as a fund manager, shall formulate and implement the investment strategy, provide and render management, technical, and administrative services, whereby authorizing BIMI to purchase and sell investment securities for the account of the Fund. As investment advisor, BIMI is tasked to render services which include investment research and advice; the preparation of economic, industry, market, corporate, and security analyses; and assistance and recommendations in the formulation of investment guidelines. In consideration for the above management, distribution, administration and advisory services, the Fund pays BIMI a fee of not more than 0.375% p.a. of the Fund's average daily trading NAV.

The Fund has distribution agreements with subsidiaries of BPI, namely, BIMI and BPI Capital Corporation (BPI Capital). Under the terms of the agreement, BIMI and BPI Capital are appointed as co-distributors to perform principally all related daily functions in connection with the marketing and the growth of the level of assets of the Fund for a fee of 0.1625% p.a. based on the average daily trading net asset value of the Fund's shares distributed. Such agreements are effective year after year unless terminated by each party.

The table below summarizes the Company's transactions and balances with its related parties:

| December 31, 2022 | Transactions | Outstanding balances | Terms and conditions |
|----------------------------------|--------------|----------------------|--|
| Management and distribution fees | | | |
| BIMI | 60,106 | 4,157 | The outstanding balance is unsecured, unguaranteed, non-interest bearing and payable in cash a month after the management and distribution fees are incurred. The amounts have been paid in the subsequent month after the reporting date. |
| BPI Capital | - | - | |
| | 60,106 | 4,157 | |
| December 31, 2021 | Transactions | Outstanding balances | Terms and conditions |
| Management and distribution fees | | | |
| BIMI | 64,001 | 4,650 | The outstanding balance is unsecured, unguaranteed, non-interest bearing and payable in cash a month after the management and distribution fees are incurred. The amounts have been paid in the subsequent month after the reporting date. |
| BPI Capital | 31 | - | |
| | 64,032 | 4,650 | |
| December 31, 2020 | Transactions | Outstanding balances | Terms and conditions |
| Management and distribution fees | | | |
| BIMI | 62,752 | 4,521 | The outstanding balance is unsecured, unguaranteed, non-interest bearing and payable in cash a month after the management and distribution fees are incurred. The amounts have been paid in the subsequent month after the reporting date. |
| BPI Capital | 5 | - | |
| | 62,757 | 4,521 | |

The directors and officers of the Fund are entitled to receive a per diem allowance in the amount of €95 (P5,000) for every Board meeting attended. Excluded in the payment of per diem allowances are directors and officers of the Fund who are also officers of the Fund Manager. For the year ended December 31, 2022, total remunerations paid to directors and officers charged to profit or loss amount to €7,883 (2021 - €1,759; 2020 - €1,960) and is presented under directors' fees in the statement of comprehensive income. As at reporting date, there were no outstanding balances related to these fees.

Note 11 - Custodian agreements

As at December 31, 2022 and 2021, the Fund has an existing custodian agreement with Bank of New York (BONY) for custodial services of the Fund's proprietary assets and/or the assets owned in the Philippines. The Fund pays its custodian a fixed monthly custodian fee. As at December 31, 2022, the aggregate market value of securities held by the custodian amounts to €12,309,335 (2021 - €13,931,748).

Custodian fee as of December 31, 2022 amounts to €1,410 (2021 - €3,630 ; 2020 - €1,380).

Note 12 - Critical accounting judgments

Estimates, assumptions and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The accounting judgments that have significant risks of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Classification of investment securities

The Fund follows the guidance of PFRS 9 in classifying financial assets at initial recognition whether it will be subsequently measured at fair value through other comprehensive income, at amortized cost, or at fair value through profit or loss. The Fund determines the classification based on the contractual cash flow characteristics of the securities and on the business model it uses to manage these securities. The Fund determines whether the contractual cash flows associated with the securities are solely payments of principal and interest on the principal amount outstanding.

Impairment of financial assets at amortized cost (Notes 2, 3 and 5)

Under PFRS 9, the measurement of the expected credit loss (ECL) allowance for financial assets measured at amortized cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as: (a) determining criteria for significant increase in credit risk; (b) choosing appropriate models and assumptions for the measurement of ECL; (c) establishing the number and relative weightings of forward-looking scenarios and the associated ECL; and (d) establishing groups of similar financial assets for purposes of measuring ECL.

The Fund measures ECL using probability of default, exposure at default and loss given default on its financial assets at amortized cost, including other receivables. Management considers both historical analysis and forward-looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligation in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be insignificant to the Fund as at December 31, 2022 and 2021.

Note 13 - Financial risk and capital management

13.1 Strategy in using financial instruments

The Fund's activities expose it to a variety of financial risks: interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund's financial performance.

The management of financial risks is carried out by the Fund Manager under the policies approved by the BOD of the Fund. The BOD approves written principles for overall risk management as well as written policies covering specific areas. Any prospective investment is limited to the type of investments described in the prospectus of the Fund thereby limiting the exposure of the Fund to the risk inherent on investments approved by the investors. The Fund also monitors and adheres to regulatory limits and restrictions to mitigate risks.

The Fund has established risk management functions with clear terms of reference and with the responsibility for developing policies on financial risks. It also supports the effective implementation of policies. The policies define the Fund's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets to the corporate goals and specify reporting requirements.

The Fund's objective is to exceed the performance of the 3-month German Treasury Bills by investing in a diversified portfolio of Euro denominated fixed income instruments issued by foreign and local entities.

13.2 Interest rate risk

The Fund trades in financial instruments, taking positions in traded and over-the-counter instruments, to take advantage of short-term market movements primarily in the bond markets. Trading positions are reported at estimated market value with changes reflected in profit or loss. Trading positions are subject to various risk factors, which include primarily exposures to changes in interest rates.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Fund takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates primarily on its fair value interest rate risk.

The Fund's fair value interest rate risk exposure principally relates to debt securities classified as financial assets at fair value through profit or loss whose values fluctuate as a result of changes in interest rates or factors specific to the issuer. The Fund's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Fund Manager moderates this risk through a careful selection of securities and other financial instruments within specified limits. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Fund's overall market positions are monitored on a daily basis by the Fund Manager and are reviewed on a monthly basis by the BOD.

The Fund's fair value interest rate risk is managed through diversification of the investment portfolio ratios by exposures. The Fund is also actively managed via portfolio duration management, yield curve positioning, credit diversification, portfolio quality and liquidity management.

The Fund also sets up a provision for market risk on its investment portfolio which is adjusted from the Fund's net asset value to protect the Fund from market price fluctuations (Note 9). To estimate its exposure to market risk, the Fund Manager computes the statistical "value at risk" (VAR) of its investments. The VAR measurement estimates the maximum loss due to adverse market movements that could be incurred by a portfolio during a given holding period with a given level of confidence. The Fund Manager uses a one month holding period, estimated as the number of days required to liquidate the investment portfolio, and a 99% degree of confidence in the computation of VAR. As such, there remains 1% statistical probability that the portfolio's actual loss could be greater than the VAR estimate. As at December 31, 2022, the Fund's VAR with respect to market interest rate volatilities amounts to €150,161 (2021 - €110,518; 2020 - €122,968).

13.3 Foreign currency risk

The Fund is affected by the movements in foreign exchange rates when the Fund's fixed income securities are settled in another currency, such as the US Dollar. To mitigate foreign exchange risk, the Fund Manager closely monitors the movements in the spot market.

Foreign exchange gains (loss) for the year ended December 31 consist of:

| | 2022 | 2021 | 2020 |
|--|-------|------|--------|
| Realized foreign exchange (loss) gains | (153) | (64) | 10,065 |
| Unrealized foreign exchange (loss) gains | 16 | (17) | (3) |
| | (137) | (81) | 10,062 |

As at December 31, 2022 and 2021, the unrealized foreign exchange loss relates to USD currency denominated cash in bank. There are no outstanding foreign currency denominated fixed income securities as at December 31, 2022 and 2021.

The Fund assessed the impact of changes in USD - Euro exchange rate during the years ended December 31, 2022 and 2021 in demonstrating sensitivities to a possible reasonable change in Euro exchange rate.

Based on analysis performed using historical movements of the USD against the Euro, if the USD had strengthened/weakened at December 31, 2022 by 6.3% (2021 - 3.5%) against the Euro with all other variables held constant, pre-tax profit for the year would have been lower/higher by €1 (2021 - €1).

13.4 Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Fund manages the level of credit risk it accepts through setting up of exposure limits by each counterparty or group of counterparties. The maximum investment of the Fund in any single enterprise shall not exceed an amount equivalent to fifteen percent (15%) of the Fund's net asset value except obligations of the Philippine government or its instrumentalities, provided that in no case shall the total investment of the Fund exceeds ten percent (10%) of the outstanding securities of any one investee company. Credit risk is minimized through diversification or by investing in a variety of investments belonging to different sectors or industries.

The maximum exposure to credit risk before any credit enhancements at December 31 is the carrying amount of the financial assets as set out below:

| | 2022 | 2021 |
|---|------------|------------|
| Cash in bank | 518,449 | 452,753 |
| Short-term investments | 1,000,000 | 1,000,000 |
| Financial assets at fair value through profit or loss | 4,944,538 | 5,717,493 |
| Investment securities at amortized cost | 8,996,850 | 10,016,092 |
| Other receivables | 69,132 | 80,627 |
| | 15,528,969 | 17,266,965 |

As at December 31, 2022 and 2021, the Fund's financial assets as shown in the table above are fully performing. There were no renegotiated financial assets as at December 31, 2022 and 2021.

Pursuant to the guidelines issued by the SEC, the Fund is allowed to invest in debt instruments registered and traded in an organized market in another country which are rated at least "BBB" by a reputable credit rating agency. For unrated securities, a rating is assigned using an approach that is consistent with that used by rating agencies.

Details of ratings of the Fund's investments based on various rating agencies follow:

| At December 31, 2022 | Fair value through profit or loss | Investment securities at amortized cost |
|----------------------|-----------------------------------|---|
| <i>S&P</i> | | |
| AA | - | 407,018 |
| AA- | - | - |
| A+ | - | - |
| A | - | 352,746 |
| A- | 201,051 | 1,992,991 |
| BBB+ | 1,662,905 | 3,110,023 |
| BBB | 1,485,602 | 2,134,443 |
| Unrated | 1,594,980 | 999,629 |
| | 4,944,538 | 8,996,850 |

| At December 31, 2021 | Fair value through profit or loss | Investment securities at amortized cost |
|----------------------|-----------------------------------|---|
| <i>S&P</i> | | |
| AA | - | 411,839 |
| AA- | - | - |
| A+ | - | - |
| A | - | 203,281 |
| A- | - | 1,990,793 |
| BBB+ | 2,020,555 | 3,111,237 |
| BBB | 1,729,547 | 2,160,946 |
| Unrated | 1,967,391 | 2,137,996 |
| | 5,717,493 | 10,016,092 |

Unrated investments are from counterparties with no history of default with the Fund.

The Fund's cash in bank and short-term investments are placed with a reputable local universal bank with solid financial standing.

The Fund's other receivables are primarily composed of accrued interest receivable which has the same credit quality as the related debt securities.

13.5 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions of redeemable shares. In accordance with the Fund's policy, the Fund Manager monitors the Fund's liquidity position on a daily basis to ensure that excess cash positions are invested in fixed-income securities and redemptions are funded within the prescribed period indicated in the Fund's prospectus.

The Fund also manages its liquidity by investing predominantly in securities that it expects to be able to liquidate within 7 days or less. It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Fund's financial assets at fair value through profit or loss and cash and cash equivalents can be liquidated within 7 days from transaction date.

Furthermore, the Fund has the ability to borrow in the short term to settle its obligations when necessary. No such borrowings have arisen in 2022 and 2021.

The Fund's financial liabilities pertain to management and distribution fees payable and capital shares redeemed payable which are contractually due in less than one (1) month. The Fund expects to settle its obligations in accordance with the maturity date.

13.6 Capital management

The capital of the Fund is represented by total equity as shown in the statement of financial position. The Fund's BOD and the Fund Manager monitor capital on the basis of the Fund's total net asset or total equity. The Fund's total net asset value or total equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of shareholders. The Fund's objectives when managing capital are as follows:

- i) Safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders;
- ii) Maintain a strong capital base to support the development of the investment activities of the Fund; and
- iii) Comply with the minimum subscribed and paid-in capital of P50 million required for investment companies under the Investment Company Act of 1960.

As at December 31, 2022 and 2021, the Fund is in compliance with the minimum required capital for investment companies.

In order to maintain or adjust the capital structure, the Fund's policy is to perform the following:

- i) Monitor the level of daily subscriptions and redemptions relative to the assets it expects to be able to liquidate within 7 days; and
- ii) Redeem and issue new shares in accordance with the Fund's prospectus, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

13.7 Fair value estimation

The following table presents the fair value hierarchy of the Fund's assets and liabilities measured at fair value at December 31:

Recurring fair value measurements

| 2022 | Fair value | | |
|---|------------|---------|---------|
| | Level 1 | Level 2 | Level 3 |
| Financial assets | | | |
| Financial assets at fair value through profit or loss | 4,944,538 | - | - |

| 2021 | Fair value | | |
|---|------------|---------|---------|
| | Level 1 | Level 2 | Level 3 |
| Financial assets | | | |
| Financial assets at fair value through profit or loss | 5,717,493 | - | - |

The fair value of investment securities at amortized cost as at December 31, 2022 amounts to €8,136,087 (2021 - €10,117,757). The fair value of investment securities at amortized cost is based on market prices or broker/dealer price quotations and classified under Level 1 of the fair value hierarchy. The carrying amounts of the Fund's other financial assets and financial liabilities at reporting period approximate their fair values considering that these have short-term maturities.

There were no transfers between the fair value hierarchy during the years ended December 31, 2022 and 2021.

Note 14 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

14.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial and Sustainability Reporting Standards Council (formerly known as the Financial Reporting Standards Council) and adopted by the SEC.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of these financial statements in conformity with PFRSs requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. There are no areas where assumptions and estimates are significant to the financial statements of the Fund as at reporting date. The areas involving higher degree of judgments or complexity are disclosed in Note 12.

Changes in accounting policy and disclosures

(a) *New standards, amendments to existing standards and Conceptual Framework and interpretations adopted by the Fund*

The following new standards have been adopted by the Fund effective January 1, 2022:

- *Interest rate benchmark reform – Amendment to PFRS 7, PFRS 9 and PAS 39*

The amendments modify some specific hedge accounting requirements to provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

- *Amendment to PAS 37, 'Provisions, Contingent Liabilities and Contingent Assets'*

The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contract. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

The said amendments did not have an impact on the Fund's financial statements.

(b) *New standards, interpretations and amendments not yet adopted*

The following amendments to existing standard are not mandatory for December 31, 2022 reporting period and have not been early adopted by the Fund:

- *Amendments to PAS 1, 'Presentation of Financial Statements' (effective for annual periods beginning on or after January 1, 2023)*

The amendments clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

In addition, PAS 1 requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

- *Amendment to PAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'*

The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- Amendments to PAS 12, 'Income Taxes'

The amendments require entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

The adoption of the above amendments is not expected to have a material impact on the financial statements of the Fund.

There are no other new standards, amendments to existing standards, or interpretations that are effective for annual periods beginning on or after January 1, 2023 that are considered relevant and have a material effect on the financial statements of the Fund.

14.2 Financial assets

14.2.1.1 Recognition and initial measurement

Financial assets are recognized in the statement of financial position when the Fund becomes a party to the contractual provisions of the instrument. Regular-way purchases and sales of financial assets are recognized on trade date, the date on which the Fund commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Transaction costs that are directly attributable to the acquisition of financial assets at fair value through profit or loss are expensed immediately at initial recognition.

14.2.1.2 Classification and subsequent measurement

The Fund classifies its financial assets in the following measurement categories: at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) and at amortized cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

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

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

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

- *Amortized cost*
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at fair value through profit or loss, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method. Amortized cost financial assets include cash and cash equivalents, short-term investments, investment securities at amortized cost and other receivables.

Cash in bank include deposits held at call with a bank.

- *Fair value through other comprehensive income (FVOCI)*
Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in the statement of comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. As at December 31, 2022 and 2021, the Fund has no financial assets under FVOCI category.
- *Fair value through profit or loss (FVTPL)*
Assets that do not meet the criteria for amortized cost or FVOCI and the collection of contractual cash flows is only incidental to achieving the Fund's business model objective are measured at fair value through profit or loss. A gain or loss on a debt security that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of comprehensive income under 'Income (losses) on financial assets at fair value through profit or loss' in the period in which it arises.

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

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

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

Equity investments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Fund subsequently measures all equity investments at fair value through profit or loss, except where the Fund's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, even on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Fund's right to receive payments is established. Gains and losses on equity investments at fair value through profit or loss are included in the 'Income (losses) on financial assets at fair value through profit or loss' in the statement of total comprehensive income.

The Fund has no equity investments as at December 31, 2022 and 2021

14.2.1.3 Impairment

The Fund assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortized cost. The Fund recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Credit impaired financial assets

Financial assets are assessed for credit impairment at each balance sheet date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the debtor is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the debtor or economic conditions that correlate with defaults. An asset that is in Stage 3 (non performing) will move back to Stage 2 (under performing) when, as at reporting date, it is no longer considered to be credit-impaired. The asset will transfer back to Stage 1 (fully performing) when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, and when there is sufficient evidence to support full collection of principal and interest due. Prior to the transfer to Stage 1, the asset should have exhibited both the quantitative and qualitative indicators of probable collection.

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and undrawn components, expected credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument.

When a financial asset is credit impaired, interest ceases to be recognized on the regular accrual basis, which accrues income based on gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortized cost of the asset, which is the gross carrying amount less related allowance for impairment. Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment.

Impairment of other financial assets

The Fund applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for other financial assets.

To measure the expected credit losses, other financial assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of receivables over a period of 36 months before reporting dates and corresponding historical credit losses experienced within this period. The forward-looking information on macroeconomic factors are considered insignificant in calculating impairment of other financial assets.

14.2.1.4 Derecognition

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have ceased, or when they have been transferred and either (i) the Fund transfers substantially all the risks and rewards of ownership, or (ii) the Fund neither transfers nor retains substantially all the risks and rewards of ownership and the Fund has not retained control. Related gains and losses realized at the time of derecognition are recognized within 'Income (losses) on financial assets' in the statement of total comprehensive income.

14.3 Financial liabilities

Classification and measurement

The Fund classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss and financial liabilities at amortized cost.

Financial liabilities at fair value through profit or loss comprise two sub-categories: financial liabilities classified as held for trading and financial liabilities designated by the Fund as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Financial liabilities designated at fair value through profit or loss are those that are not classified as held-for-trading but are managed and their performance is evaluated on a fair value basis. Gains and losses arising from changes in fair value are included in profit or loss. The Fund has no financial liabilities that are classified at fair value through profit loss as at December 31, 2022 and 2021.

Financial liabilities that are not classified as at fair value through profit or loss fall into the second category and are initially recognized at fair value plus transaction costs. After initial measurement, these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities measured at amortized cost include management and distribution fees payable and capital shares redeemed payable.

Derecognition of financial liabilities

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

14.4 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

14.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded equity and debt securities) are based on quoted market prices at the close of trading on the reporting date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The quoted market price used for financial assets held by the Fund is the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management determines the point within the bid-ask spread that is most representative of fair value.

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Philippine Stock Exchange, Inc., Philippine Dealing and Exchange Corp., etc.).
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The primary source of input parameters like counterparty credit risk is Bloomberg.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Fund considers relevant and observable market prices in its valuations where possible.

14.6 Redeemable shares

The shares issued by the Fund are redeemable at the holder's option and are classified as equity. The consideration received for the issuance of shares is based on net asset value per share at the transaction date. The amount of consideration pertaining to the par value of the shares issued is recognized as redeemable shares and the excess of the consideration received over the par value is recognized as share premium.

The Fund classifies puttable financial instruments that meet the definition of a financial liability as equity where certain strict criteria are met. Those criteria include: (i) the puttable instruments must entitle the holder to a pro-rata share of net assets; (ii) the puttable instruments must be the most subordinated class and the features of that class must be identical; (iii) there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and (iv) the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer. Should the redeemable shares' terms or conditions change such that they do not comply with those criteria, the redeemable shares would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying value of the equity instrument and fair value of the liability on the date of reclassification would be recognized in equity.

Redeemable shares can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's trading net asset value (Note 9) calculated in accordance with the Fund's prospectus. Any excess of subscriptions over the par value of shares issued is shown as share premium. The excess of redemption amount over the par value of shares redeemed are first applied against the related share premium and then to the related retained earnings.

14.7 Deposits for future subscriptions

Deposits for future subscriptions represent funds received by the Fund with a view of applying the same as payment for a future additional issuance of shares either from its authorized but unissued shares, from a proposed increase in authorized share capital, or as share premium.

Under the Corporation Code, a stock corporation is empowered to issue or sell stocks to subscribers. Such issuance should only be to the extent of the capital stock approved or authorized by the SEC. If there is no more authorized capital stock, an increase thereof for the purpose of issuing additional stocks may be made by the entity subject to the approval by its BOD, stockholders and the SEC.

Based on the Financial Reporting Bulletin (FRB) No.006 revised on January 6, 2022:

An entity shall classify a contract to deliver its own equity instruments under equity as a separate account (e.g., Deposit for Stock Subscription) from "Outstanding Capital Stock" if and only if, all of the following elements are present as of the end of the reporting period:

- (i) The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- (ii) There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- (iii) There is stockholders' approval of said proposed increase; and
- (iv) The application for the approval of the proposed increase has been presented for filing or has been filed with the Commission.

To deter abuse of the Rule, it is expected that the approval of the application to increase ACS be obtained within one (1) year from the date the said application was presented to the Commission through Company Registration and Monitoring Department.

Following the issuance of SEC Memorandum Circular No. 33, series of 2020, which took effect on December 20, 2020, an investment company is no longer required to comply with the minimum subscribed and paid-up capital relative to the increase in its authorized capital stock. Thus, an investment company is no longer allowed to accept any deposits for future stock subscription starting December 20, 2020.

Any DFFS recognized as equity in the financial statements are still acceptable provided that all the elements above are present as of the end of the reporting period and the application for an increase in authorized capital stock has been filed with the Commission prior to December 20, 2020. Deposits for future subscriptions are initially recognized at fair value of the consideration received or receivable.

Deposits for future subscriptions can be redeemed for cash equal to a proportionate share of the Fund's trading net asset value. Upon approval, the amount will be credited to share capital for the par value of the shares and share premium for the amount in excess of the par value.

Subscribers for a future additional issuance of shares are entitled at any time to redeem for cash equal to a proportionate share of the Fund's trading net asset value (Note 9) calculated in accordance with the Fund's prospectus.

The Fund has no outstanding deposits for future subscriptions as at December 31, 2022 and 2021.

14.8 Income and expense recognition

Income (losses) on financial assets at fair value through profit or loss include all realized and unrealized fair value changes and interest income on financial assets at fair value through profit or loss.

Interest income is recognized on a time-proportion basis using the effective interest method.

When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Other income is recognized when earned.

Expenses are recognized when incurred.

14.9 Foreign currency transactions and translations

Functional and presentation currency

Subscriptions and redemptions of the Fund's redeemable shares are denominated in Euro. The primary activity of the Fund is to invest in Euro-denominated fixed-income instruments. The performance of the Fund is measured and reported to the investors in Euro. The BOD considers the Euro as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Euro, which is the functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Foreign exchange gains and losses relating to the financial assets and liabilities are presented as a separate line item in the statement of comprehensive income.

14.10 Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to shareholders over weighted average number of outstanding redeemable shares, including the corresponding shares for the amount of deposit for future subscriptions received during the year. Diluted earnings (loss) per share is computed in the same manner as basic earnings (loss) per share, however, profit (loss) attributable to shareholders and the number of outstanding redeemable shares, including the corresponding shares for the amount of deposit for future subscriptions, are adjusted for the effects of all dilutive potential redeemable shares.

There are no dilutive potential redeemable shares as at December 31, 2022 and 2021.

14.11 Income tax

The tax expense for the period comprises current and deferred tax.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Fund's interest income from its investments in Philippine debt securities, cash and cash equivalents and short-term investments are subject to final withholding tax. Such income is presented gross of taxes paid or withheld and the related tax is presented in the statement of total comprehensive income as income tax expense. Sale of financial assets at fair value through profit or loss relating to Philippine debt securities is tax exempt if maturity period of related debt instrument is more than 5 years and taxable if maturity period of related debt instrument is 5 years or less. Interest income and sale of financial assets at fair value through profit or loss relating to global debt securities are taxable.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences and carry-forward of unused tax losses (NOLCO) to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The Fund reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax liabilities are provided on taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except where the timing of the reversal of the temporary differences is controlled by the Fund and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority and where there is an intention to settle the balances on a net basis.

14.12 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

14.13 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Where PAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year. There was a change in the presentation of dividend income in the statement of total comprehensive income by including it as part of net income (losses) on fair value through profit or loss instead of presenting it as part of other income.

14.14 Subsequent events (or Events after reporting date)

Post year-end events that provide additional information about the Fund's financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Note 15- Supplementary information required by the Bureau of Internal Revenue

Below is the additional information required by RR No. 15-2010 that is relevant to the Fund. This information is presented for purposes of filing with the Bureau of Internal Revenue (BIR) and is not a required part of the basic financial statements.

Documentary stamp tax

Total documentary stamp taxes on share subscriptions for the year ended December 31, 2022 amount to €5,640 (P303,700), of which €287 (P17,000) is outstanding as at December 31, 2022 and is lodged under Management and distribution fees payable and other liabilities in the statement of financial position

Withholding tax

Withholding taxes for the year ended December 31, 2022 amount to €9,881 (P567,795), of which €755 (P44,802), is outstanding as at December 31, 2022 and is lodged under Management and distribution fees payable and other liabilities in the statement of financial position.

All other local and national taxes

All other local and national taxes paid for the year ended December 31, 2022 consist of:

| | Amount |
|-----------------------------------|--------|
| In Euro | |
| Municipal and other related taxes | 705 |
| Community tax | 96 |
| | 801 |
| | |
| | Amount |
| In Philippine Peso | |
| Municipal and other related taxes | 40,848 |
| Community tax | 5,447 |
| | 46,295 |

The above local and national taxes, including documentary stamp tax, are lodged under taxes and licenses in expenses in the statement of total comprehensive income.

There are no other local and national taxes accrued as at December 31, 2022.

Tax cases and assessments

As at December 31, 2022, open taxable years are 2021, 2020 and 2019. The Fund has not received any Final Assessment Notice from the BIR. The Fund is also not a party to any outstanding tax case with the BIR.

Others

The Fund did not have transactions that are subject to value added tax, excise taxes, and custom duties and tariff.

ALFM Euro Bond Fund, Inc.
Reconciliation of Retained Earnings Available for Dividend Declaration
As of December 31, 2022
(All amounts in Euro)

| Items | Amount |
|---|-----------|
| Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning of the year | 2,758,868 |
| Add: Net loss actually earned/realized during the period | |
| Net loss during the year closed to retained earnings | (607,957) |
| Less: Non-actual/unrealized income net of tax | |
| • Equity in net income of associate/joint venture | - |
| • Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) | - |
| • Unrealized actuarial gain | - |
| • Fair value adjustment (mark-to-market gains) | - |
| • Fair value adjustment of Investment Property resulting to gain | - |
| • Adjustment due to deviation from PFRS - gain | - |
| • Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS | - |
| Sub-total | - |
| Add: Non-actual losses | |
| • Depreciation on revaluation increment (after tax) | - |
| • Adjustment due to deviation from PFRS - loss | - |
| • Loss on fair value adjustment of investment property (after tax) | - |
| Sub-total | - |
| Net loss actually earned during the period | (607,957) |
| Add (Less): | |
| • Dividend declarations during the period | - |
| • Appropriations of retained earnings during the period | - |
| • Reversals of appropriations | - |
| • Effects of prior period adjustments | - |
| • Treasury shares | - |
| • Redemption of redeemable shares | (5,903) |
| Sub-total | (5,903) |
| Total Retained Earnings, end of the year | 2,145,008 |

ALFM Euro Bond Fund, Inc.

As at December 31, 2022

Annex A - Financial Assets

(All amounts in Euro)

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds and notes | Amount shown in the statement of financial position | Value based on market quotation | Income received and accrued |
|--|---|---|---------------------------------|-----------------------------|
| Cash in bank | - | 518,449 | 518,449 | |
| TOTAL CASH IN BANK | - | 518,449 | 518,449 | |
| Short-term investments | | | | |
| <i>Time deposits</i> | | | | |
| BPIEURTD 20230616 | 1,000,000 | 1,000,000 | 1,000,000 | |
| TOTAL SHORT-TERM INVESTMENTS | 1,000,000 | 1,000,000 | 1,000,000 | 6,840 |
| Fair value through profit or loss (FVTPL) | | | | |
| <i>Philippine sovereign bonds</i> | | | | |
| ROP-EUR 20270517 | 1,000,000 | 885,204 | 879,760 | |
| ROP-EUR 20330428 | 1,000,000 | 777,701 | 769,580 | |
| | 2,000,000 | 1,662,905 | 1,649,340 | |
| <i>Mutual funds (offshore investments)</i> | | | | |
| PINIEHA | 117,192 | 1,594,980 | 1,594,980 | |
| <i>Latin America government bonds</i> | | | | |
| MEX-EUR 20260408 | 500,000 | 476,181 | 470,245 | |
| MEX-EUR 20300117 | 550,000 | 453,605 | 447,706 | |
| | 1,050,000 | 929,786 | 917,951 | |
| <i>Asia Pacific government bonds</i> | | | | |
| INDON-EUR 20280614 | 561,000 | 555,817 | 544,305 | |
| <i>European corporate bonds</i> | | | | |
| ING-EUR 20230920 | 200,000 | 201,050 | 200,889 | |
| TOTAL FVTPL | 3,928,192 | 4,944,538 | 4,907,465 | 44,960 |

ALFM Euro Bond Fund, Inc.

As at December 31, 2022

Annex A - Financial Assets

(All amounts in Euro)

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds and notes | Amount shown in the statement of financial position | Value based on market quotation | Income received and accrued |
|--|---|---|---------------------------------|-----------------------------|
| Investments at amortized cost | | | | |
| <i>Philippine government bonds</i> | | | | |
| ROP-EUR 20290203 | 1,300,000 | 1,296,828 | 1,072,851 | |
| ROP-EUR 20270517 | 1,000,000 | 997,765 | 878,980 | |
| ROP-EUR 20410428 | 500,000 | 508,917 | 339,545 | |
| ROP-EUR 20330428 | 100,000 | 99,536 | 76,812 | |
| | 2,900,000 | 2,903,046 | 2,368,188 | |
| <i>European corporate bonds</i> | | | | |
| ING-EUR 20250903 | 1,000,000 | 986,332 | 933,810 | |
| MUFG-EUR 20240609 | 500,000 | 500,000 | 483,585 | |
| ING-EUR 20230920 | 500,000 | 499,672 | 492,495 | |
| BNP-EUR 20231122 | 500,000 | 499,629 | 492,590 | |
| | 2,500,000 | 2,485,633 | 2,402,480 | |
| <i>Asia Pacific government bonds</i> | | | | |
| INDON-EUR 20240718 | 500,000 | 512,268 | 488,835 | |
| INDON-EUR 20250730 | 400,000 | 418,926 | 396,476 | |
| KOR-EUR 20240610 | 400,000 | 407,018 | 392,276 | |
| INDON-EUR 20280614 | 300,000 | 342,682 | 290,616 | |
| INDON-EUR 20260918 | 247,000 | 251,294 | 224,659 | |
| INDON-EUR 20250424 | 100,000 | 99,938 | 95,399 | |
| | 1,947,000 | 2,032,126 | 1,888,261 | |
| <i>US corporate bonds</i> | | | | |
| BOFA-EUR 20250207 | 500,000 | 506,987 | 486,535 | |
| CITI-EUR 20260910 | 200,000 | 206,977 | 186,832 | |
| | 700,000 | 713,964 | 673,367 | |
| <i>Latin America sovereign bonds</i> | | | | |
| MEX-EUR 20260408 | 500,000 | 509,335 | 469,785 | |
| | 500,000 | 509,335 | 469,785 | |
| <i>Asia Pacific corporate bonds</i> | | | | |
| SUMIBK 20260615 | 200,000 | 202,557 | 184,686 | |
| HUWHYBOND 20230406 | 150,000 | 150,189 | 149,321 | |
| | 350,000 | 352,746 | 334,007 | |
| TOTAL INVESTMENTS AT AMORTIZED COST | 8,897,000 | 8,996,850 | 8,136,088 | 99,127 |
| <i>Other receivables</i> | | | | |
| Accrued interest receivables | - | 69,132 | 69,132 | |
| TOTAL OTHER RECEIVABLES | - | 69,132 | 69,132 | |

ALFM Euro Bond Fund, Inc.

As at December 31, 2022

Annex B - Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)

| Name and designation of debtor | Balance at beginning of period | Additions | Amounts collected | Amounts written off | Current | Not current | Balance at end of the period |
|--------------------------------|--------------------------------|-----------|-------------------|---------------------|---------|-------------|------------------------------|
| NOTHING TO REPORT | | | | | | | |

ALFM Euro Bond Fund, Inc.

As at December 31, 2022

Annex C - Amounts Receivable from Related Parties which are Eliminated
during the Consolidation of Financial Statements

| Name and designation of debtor | Balance at beginning of period | Additions | Amount collected | Amount written off | Current | Not current | Balance at end of period |
|--------------------------------|--------------------------------|-----------|------------------|--------------------|---------|-------------|--------------------------|
|--------------------------------|--------------------------------|-----------|------------------|--------------------|---------|-------------|--------------------------|

NOT APPLICABLE

ALFM Euro Bond Fund, Inc.
As at December 31, 2022
Annex D - Long-Term Debt

| Title of issue and type of obligation | Amount authorized by indenture | Amount shown under caption "Current portion of long-term debt" in the related statement of financial position | Amount shown under caption "long-term debt" in the related statement of financial position |
|---------------------------------------|--------------------------------|---|--|
|---------------------------------------|--------------------------------|---|--|

NOTHING TO REPORT

ALFM Euro Bond Fund, Inc.

As at December 31, 2022

Annex E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
(All amount in Euro)

| Name of related party | Balance at beginning of period | Balance at end of period |
|-----------------------|--------------------------------|--------------------------|
| NOTHING TO REPORT | | |

ALFM Euro Bond Fund, Inc.
As at December 31, 2022
Annex F - Guarantees of Securities of Other Issuers

| Name of issuing entity of securities guaranteed by the Fund for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount owned by person for which statement is filed | Nature of guarantee |
|---|---|---|---|---------------------|
|---|---|---|---|---------------------|

NOTHING TO REPORT

ALFM Euro Bond Fund, Inc.
As at December 31, 2022
Annex G - Capital Stock

| Title of issue | Number of shares authorized | Number of shares issued and outstanding as shown under related caption in the statement of financial position | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by related parties | Directors, officers and employees | Others |
|----------------------|-----------------------------------|--|--|---|---|--------|
| Redeemable shares | 80,000 | 73,257 | - | 18,392 | 422 | 54,443 |

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: ALFM EURO BOND FUND INC.
CURRENT ADDRESS: BPI HEAD OFFICE BUILDING, AYALA AVENUE COR. PASEO DE ROXAS, MAKATI CITY
TEL. NO.: (632) 580-3573 FAX NO.: (632) 580-4682
COMPANY TYPE: INVESTMENT COMPANY PSIC: 6691

Table 1. Balance Sheet

| FINANCIAL DATA | 2022 (in €'000) | 2021 (in €'000) |
|--|----------------------|----------------------|
| A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7) | 0 | 0 |
| A.2.1 Land (incl. land for future plant expansion, unused land and improvements) | | |
| A.2.2 Building and improvements including leasehold improvement | | |
| A.2.3 Machinery and equipment (on hand and in transit) | | |
| A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery equipment | | |
| A.2.5 Others, specify | | |
| Fixed assets, property, or equipment used for education purposes | | |
| Construction in progress | | |
| A.2.6 Appraisal increase, specify | | |
| A.2.7 Accumulated Depreciation (negative entry) | | |
| A.3 Investments excluding that which is recorded in current assets(net of allowance for decline in value) (A.3.1 + A.3.2 + A.3.3 + A.3.4) | 8,997 | 10,016 |
| A.3.1 Equity in domestic subsidiaries/affiliates | | |
| A.3.2 Equity in foreign branches/subsidiaries/affiliates | | |
| A.3.3 Others, specify | 8,997 | 10,016 |
| Investment securities at amortized cost | 8,997 | 10,016 |
| A.3.4 Allowance for decline in market value (negative entry) | | |
| A.4 Intangible Assets | 0 | 0 |
| A.5 Long-term receivables | 0 | 0 |
| A.5.1 Long-term receivables (net of current portion) (A.5.1 + A.5.2 + A.5.3) | 0 | 0 |
| A.5.1.1 From domestic entities, specify | | |
| A.5.1.2 From foreign entities, specify | 0 | 0 |
| A.5.1.3 Allowance for doubtful accounts, net of current portion (negative entry) | | |
| A.6 Other Assets (A.6.1 + A.6.2 + A.6.3 + A.6.4) | 74 | 0 |
| A.6.1 Deferred charges - net of amortization | | |
| A.6.2 Advance/Miscellaneous deposits | | |
| A.6.3 Others, specify | 74 | 0 |
| Deferred income tax asset | 74 | 0 |
| A.6.4 Allowance for write-down of deferred charges (negative entry) | | |
| B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5 + B.6) | 5 | 36 |
| B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3) | 5 | 6 |
| B.1.1 Trade and Other Payables to Domestic Entities (B.1.1.1 + B.1.1.2 + B.1.1.3 + B.1.1.4 + B.1.1.5 + B.1.1.6) | 5 | 6 |
| B.1.1.1 Trade Payables | | |
| B.1.1.2 Payables to Subsidiaries | | |
| B.1.1.3 Payables to Related Parties | 5 | 5 |
| B.1.1.4 Advances from Directors, Officers, Employees and Principal Stockholders | | |
| B.1.1.5 Accruals | 0 | 1 |

SPECIAL FORM FOR CONSOLIDATED FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: ALFM EURO BOND FUND INC.
CURRENT ADDRESS: BPI HEAD OFFICE BUILDING, AYALA AVENUE COR. PASEO DE ROXAS, MAKATI CITY
TEL. NO.: (632) 580-3573 FAX NO.: (632) 580-4682
COMPANY TYPE : INVESTMENT COMPANY PSIC: 6691

Table 1. Balance Sheet

| FINANCIAL DATA | | 2022 (in €'000) | 2021 (in €'000) |
|--|--|--------------------|--------------------|
| B.1.1.6 | Others, specify | 0 | 1 |
| | Capital shares redeemed payable | | |
| | Documentary Stamp Tax Payable | 0 | 1 |
| B.1.2 | Trade and Other Payables to Foreign Entities, specify | | |
| | | | |
| | | | |
| B.1.3 | Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions) | | |
| | Dividends declared and not paid at balance sheet date | | |
| | Acceptances Payable | | |
| | Liabilities under Trust Receipts | | |
| | Portion of Long-term Debt Due within one year | | |
| | Deferred Income | | |
| | Any other current liability in excess of 5% of Total Current Liabilities, specify: | | |
| | | | |
| | | | |
| B.2 | Tax Liabilities and Assets | | 2 |
| B.3 | Provisions | | |
| B.4 | Long-term Debt - Non-current Interest-bearing Liabilities (B.4.1 + B.4.2 + B.4.3 + B.4.4 + B.4.5) | | |
| B.4.1 | Domestic Public Financial Institutions | | |
| B.4.2 | Domestic Public Non-Financial Institutions | | |
| B.4.3 | Domestic Private Financial Institutions | | |
| B.4.4 | Domestic Private Non-Financial Institutions | | |
| B.4.5 | Foreign Financial Institutions | | |
| B.5 | Indebtedness to Affiliates and Related Parties (Non-Current) | | |
| B.6 | Other Liabilities (B.6.1 + B.6.2) | 0 | 28 |
| B.6.1 | Deferred Income Tax | | 28 |
| B.6.2 | Others, specify | 0 | 0 |
| | | | |
| | | | |
| C. MINORITY INTEREST | | | |
| D. EQUITY (D.3 + D.4 + D.5 + D.6 + D.7 + D.8 + D.9) | | 15,598 | 17,231 |
| D.1 | Authorized Capital Stock (no. of shares, par value and total value; show details) (D.1.1+D.1.2+D.1.3) | 11,549 | 11,549 |
| D.1.1 | Common shares 80,000; €144.36 | 11,549 | 11,549 |
| D.1.2 | Preferred Shares | | |
| D.1.3 | Others | | |
| D.2 | Subscribed Capital Stock (no. of shares, par value and total value) (D.2.1 + D.2.2 + D.2.3) | | |
| D.2.1 | Common shares | | |
| D.2.2 | Preferred Shares | | |
| D.2.3 | Others | | |
| D.3 | Paid-up Capital Stock (D.3.1 + D.3.2) | 10,576 | 11,270 |
| D.3.1 | Common shares | 10,576 | 11,270 |
| D.3.2 | Preferred Shares | | |
| D.4 | Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus | 2,858 | 3,183 |
| D.5 | Others, specify | 0 | 0 |
| | Net increase in assets resulting from operations | | |
| | Net investment income | | |
| | Net unrealized gain on investment | | |
| | Fair value reserve on available-for-sale securities | 0 | 0 |
| D.6 | Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus | | |
| D.7 | Retained Earnings (D.7.1 + D.7.2) | 2,164 | 2,778 |
| D.7.1 | Appropriated | | |
| D.7.2 | Unappropriated | 2,164 | 2,778 |
| D.8 | Head / Home Office Account (for Foreign Branches only) | | |
| D.9 | Cost of Stocks Held in Treasury (negative entry) | | |
| TOTAL LIABILITIES AND EQUITY (B + C + D) | | 15,603 | 17,267 |

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: ALFM EURO BOND FUND INC.
CURRENT ADDRESS: BPI HEAD OFFICE BUILDING, AYALA AVENUE COR. PASEO DE ROXAS, MAKATI CITY
TEL. NO.: (632) 580-3573 FAX NO.: (632) 580-4682
COMPANY TYPE : INVESTMENT COMPANY PSIC: 6691

Table 2. Income Statement

| FINANCIAL DATA | 2022 (in €'000) | 2021 (in €'000) | 2020 (in €'000) |
|---|----------------------|----------------------|----------------------|
| A. REVENUE / INCOME (A.1 + A.2 + A.3) | (609) | 118 | 195 |
| A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity) | | | |
| A.2 Other Revenue (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5) | | | |
| A.2.1 Rental Income from Land and Buildings | | | |
| A.2.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity) | | | |
| A.2.3 Sale of Real Estate | | | |
| A.2.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.) | | | |
| A.2.5 Others, specify | | | |
| Rental Income, Equipment | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| A.3 Other Income (non-operating) (A.3.1 + A.3.2 + A.3.3 + A.3.4) | (609) | 118 | 195 |
| A.3.1 Interest Income | 106 | 84 | 93 |
| A.3.2 Dividend Income | | | |
| A.3.3 Gain / (Loss) from selling of Assets, specify | (715) | 34 | 92 |
| Income (losses) from financial assets at fair value through profit or loss | (715) | 34 | 92 |
| | | | |
| | | | |
| A.3.4 Others, specify | 0 | 0 | 10 |
| Gain / (Loss) on Foreign Exchange | 0 | 0 | 10 |
| Other Income | - | - | 0 |
| | | | |
| | | | |
| B. COST OF GOODS SOLD (B.1 + B.2 + B.3) | 0 | 0 | 0 |
| B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5) | 0 | 0 | 0 |
| B.1.1 Direct Material Used | | | |
| B.1.2 Direct Labor | | | |
| B.1.3 Other Manufacturing Cost / Overhead | | | |
| B.1.4 Goods in Process, Beginning | | | |
| B.1.5 Goods in Process, End (negative entry) | | | |
| B.2 Finished Goods, Beginning | | | |
| B.3 Finished Goods, End (negative entry) | | | |
| C. COST OF SALES (C.1 + C.2 + C.3) | 0 | 0 | 0 |
| C.1 Purchases | | | |
| C.2 Merchandise Inventory, Beginning | | | |
| C.3 Merchandise Inventory, End (negative entry) | | | |
| D. GROSS PROFIT (A - B - C) | (609) | 118 | 195 |

Control No.: _____

Form Type: PHFS1**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**NAME OF CORPORATION: ALFM EURO BOND FUND INC.CURRENT ADDRESS: BPI HEAD OFFICE BUILDING, AYALA AVENUE COR. PASEO DE ROXAS, MAKATI CITYTEL. NO.: (632) 580-3573 FAX NO.: (632) 580-4682COMPANY TYPE : INVESTMENT COMPANY PSIC: 6691**Table 2. Income Statement**

| FINANCIAL DATA | 2022 (in €'000) | 2021 (in €'000) | 2020 (in €'000) |
|---|--------------------|--------------------|--------------------|
| E. OPERATING EXPENSES (E.1 + E.2 + E.3 + E.4) | 83 | 88 | 81 |
| E.1 Selling or Marketing Expenses | | | |
| E.2 Administrative Expenses | | | |
| E.3 General Expenses | | | |
| E.4 Other Expenses, specify | 83 | 88 | 81 |
| Management and distribution fees | 60 | 64 | 63 |
| Taxes and licenses | 7 | 13 | 10 |
| Custodian fee | 1 | 4 | 1 |
| Directors' fees | 7 | 1 | 2 |
| Professional fees | 2 | 1 | 1 |
| Others | 6 | 5 | 4 |
| F. FINANCE COSTS (F.1 + F.2 + F.3) | 0 | 0 | 0 |
| F.1 Interest | | | |
| F.2 Amortization | | | |
| F.3 Other interests, specify | | | |
| | | | |
| | | | |
| | | | |
| G. Share of Income (Losses) of Associates and Joint Ventures accounted for using the Equity Method | | | |
| H. Net Income (Loss) Before Tax (D - E - F + G) | (692) | 30 | 114 |
| I. Income Tax Expense (negative entry) | (84) | 2 | 24 |
| J. Income After Tax | (608) | 29 | 90 |
| K. Minority Interest (negative entry) | 0 | 0 | 0 |
| L. Net Income (Loss - negative entry) from Ordinary Activities (J - K) | (608) | 29 | 90 |
| M. Extraordinary Items/Other Comprehensive Income | 0 | 0 | 0 |
| N. Net Income (Loss - negative entry) for the Year (L + M) | (608) | 29 | 90 |
| 0 Earnings (Loss) Per Share | | | |
| O.1 Basic | (8.07) | 0.37 | 1.17 |
| O.2 Diluted | (8.07) | 0.37 | 1.17 |

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: ALFM EURO BOND FUND INC.
CURRENT ADDRESS: BPI HEAD OFFICE BUILDING, AYALA AVENUE COR. PASEO DE ROXAS, MAKATI CITY
TEL. NO.: (632) 580-3573 FAX NO.: (632) 580-4682
COMPANY TYPE : INVESTMENT COMPANY PSIC: 6691

Table 3. Cash Flow Statements

| FINANCIAL DATA | 2022 (in €'000) | 2021 (in €'000) | 2020 (in €'000) |
|---|--------------------|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net Income (Loss) Before Tax and Extraordinary Items | (692) | 30 | 114 |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities | | | |
| Depreciation | | | |
| Amortization, specify: Unrealized fair value losses (gains), net | 760 | 42 | (19) |
| Others, specify: | | | |
| Interest income | (106) | (84) | (93) |
| Interest received | 117 | 44 | 77 |
| Income taxes paid | (18) | (2) | (108) |
| Unrealized foreign exchange loss | 0 | 0 | 0 |
| Write-down of Property, Plant, and Equipment | | | |
| Changes in Assets and Liabilities: | | | |
| Decrease (Increase) in: | | | |
| Short-term investments | 0 | 0 | 0 |
| Financial assets at fair value through profit or loss | 13 | (292) | 3,874 |
| Receivables | | | |
| Others, specify: Investment securities at amortized cost | 1,019 | (111) | (3,201) |
| Increase (Decrease) in: | | | |
| Trade and Other Payables | | | |
| Income and Other Taxes Payable | | (10) | |
| Others, specify: Management and distribution fees payable | | | (0) |
| Withholding taxes payable | | | (0) |
| Custody fee payable | (1) | 0 | 0 |
| A. Net Cash Provided by (Used in) Operating Activities (sum of above rows) | 1,092 | (381) | 644 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| (Increase) Decrease in Long-Term Receivables | | | |
| (Increase) Decrease in Investment | | | |
| Reductions/(Additions) to Property, Plant, and Equipment | | | |
| Others, specify: Cash Dividends | | | |
| B. Net Cash Provided by (Used in) Investing Activities (sum of above rows) | 0 | 0 | 0 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from: | | | |
| Loans | | | |
| Long-term Debt | | | |
| Issuance of Shares | 464 | 1,490 | 1,080 |
| Others, specify: | | | |
| Payments of: | | | |
| (Loans) | | | |
| (Long-term Debt) | | | |
| (Stock Subscriptions) | | | |
| Others, specify (negative entry): | | | |
| Redemption of shares | (1,490) | (1,145) | (1,575) |
| C. Net Cash Provided by (Used in) Financing Activities (sum of above rows) | (1,026) | 344 | (495) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C) | 66 | (37) | 149 |
| D. Effects of Exchange Rate Changes on Cash & Cah Equivalents | (1) | (0) | (0) |
| Cash and Cash Equivalents | | | |
| Beginning of year | 453 | 490 | 342 |
| End of year | 518 | 453 | 490 |

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: ALFM EURO BOND FUND INC.
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TEL. NO.: (632) 580-3573 FAX NO.: (632) 580-4682
COMPANY TYPE : INVESTMENT COMPANY PSIC: 6691

Table 4. Statement of Changes in Equity

| FINANCIAL DATA | (Amount in €'000) | | | | | |
|---|-------------------|----------------------------|--|-------------------------|-------------------|---------|
| | Capital Stock | Additional Paid-in Capital | Fair value reserve on available-for-sale | Translation Differences | Retained Earnings | TOTAL |
| A. Balance, 2020 | 11,044 | 3,065 | 0 | 0 | 2,750 | 16,859 |
| A.1 Correction of Fundamental Error | | | | | | |
| A.2 Changes in Accounting Policy | 0 | 0 | 0 | 0 | 0 | 0 |
| B. Restated Balance | 11,044 | 3,065 | 0 | 0 | 2,750 | 16,859 |
| B.1 Surplus (Deficit) on Revaluation of Properties | | | | | | |
| B.2 Surplus (Deficit) on Revaluation of Investments | | | | | | 0 |
| B.3 Currency Translation Differences (negative entry) | | | | | | |
| C. Net Gains (Losses) not recognized in the Income | 226 | 118 | 0 | 0 | 28 | 372 |
| C.1 Net Income (Loss) for the Period | 0 | 0 | 0 | 0 | 28 | 28 |
| C.2 Dividends (negative entry) | | | 0 | | | |
| C.3 Current Appropriation for Contingencies | | | | | | |
| C.4 Issuance/Redemption of Capital | 226 | 118 | 0 | 0 | 0 | 344 |
| C.4.1 Common Stock | 226 | 118 | 0 | 0 | 0 | 344 |
| C.4.2 Preferred Stock | | | | | | |
| C.4.3 Others | | | | | | |
| D. Balance, 2021 | 11,270 | 3,183 | 0 | 0 | 2,778 | 17,231 |
| D.1 Correction of Fundamental Error | | | | | | |
| D.2 Changes in Accounting Policy | 0 | 0 | 0 | 0 | 0 | 0 |
| E. Restated Balance | 11,270 | 3,183 | 0 | 0 | 2,778 | 17,231 |
| E.1 Surplus (Deficit) on Revaluation of Properties | | | | | | |
| E.2 Surplus (Deficit) on Revaluation of Investments | | | | | | |
| E.3 Currency Translation Differences (negative entry) | | | | | | |
| F. Net Gains (Losses) not recognized in the Income | (694) | (326) | 0 | 0 | (614) | (1,634) |
| F.1 Net Income (Loss) for the Period | 0 | 0 | 0 | 0 | (608) | (608) |
| F.2 Dividends (negative entry) | | | 0 | | | |
| F.3 Current Appropriation for Contingencies | | | | | | |
| F.4 Issuance/Redemption of Capital | | | | | | |
| F.4.1 Common Stock | (694) | (326) | 0 | 0 | (6) | (1,026) |
| F.4.2 Preferred Stock | | | | | | |
| F.4.3 Others- Prior Adj.per AFS | | | | | | |
| F. Balance, 2022 | 10,576 | 2,857 | 0 | 0 | 2,164 | 15,596 |

Table 4a. Statement of Recognized Gains and Losses

| FINANCIAL DATA | (Amount in €'000) | | |
|--|-------------------|-----------|-----------|
| | 2022 | 2021 | 2020 |
| A. Surplus (Deficit) on Revaluation of Properties | | | |
| B. Surplus (Deficit) on Revaluation of Investments | 0 | 0 | 0 |
| C. Exchange Differences on Translation of the Financial Statements of Foreign Entities | | | |
| D. Net Gains (Losses) not recognized in the Income Statement | | | |
| E. Net Income for the Period | (608) | 29 | 90 |
| Total Recognized Gains (Losses) (A + B + C + D + E) | (608) | 29 | 90 |
| Effect of Changes in Accounting Policy | | | |

ALFM EURO BOND FUND, INC.
ATTACHMENT TO FINANCIAL STATEMENTS

TOTAL ASSETS- January 1 to December 31, 2022 15,603
NET ASSET VALUE- January 1 to December 31, 2022 15,688

| SECURITY NAME | MARKET VALUE | PERCENTAGE TO NET ASSET VALUE | PERCENTAGE TO TOTAL ASSETS | NO. OF SHARES | OUTSTANDING SECURITIES OF AN INVESTEE CO. | PERCENTAGE TO OUTSTANDING SECURITIES OF AN INVESTEE CO. |
|--|----------------|-------------------------------|----------------------------|----------------|---|---|
| | (in thousands) | | | (in thousands) | (in thousands) | |
| SHORT-TERM INVESTMENTS | | | | | | |
| BPEURTF20230616 | 1,000 | 6.41% | 6.41% | 1,000 | n/a | n/a |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | | | | | |
| ASIA PACIFIC GOVERNMENT BONDS | | | | | | |
| INDON-EUR20280614 | 558 | 3.56% | 3.56% | 561 | 1,500,000 | 0.04% |
| TOTAL | 558 | | | | | |
| EUROPEAN CORPORATE BONDS | | | | | | |
| ING-EUR 20230920 | 201 | 1.29% | 1.29% | 200 | 1,000,000 | 0.02% |
| TOTAL | 201 | | | | | |
| LATIN AMERICA SOVEREIGN BONDS | | | | | | |
| MEX-EUR 20280408 | 478 | 3.05% | 3.05% | 500 | 1,327,437 | 0.04% |
| MEX-EUR 20300117 | 454 | 2.91% | 2.91% | 550 | 1,250,000 | 0.04% |
| TOTAL | 932 | | | | | |
| PHILIPPINE SOVEREIGN BONDS | | | | | | |
| ROP-EUR 20270517 | 885 | 5.67% | 5.67% | 1,000 | 650,000 | 0.15% |
| ROP-EUR 20330428 | 778 | 4.99% | 4.99% | 1,000 | 750,000 | 0.13% |
| TOTAL | 1,663 | | | | | |
| MUTUAL FUNDS (OFFSHORE INVESTMENTS) | | | | | | |
| FINVSEA | 1,595 | 10.23% | 10.22% | 117 | 430,515 | 0.03% |
| TOTAL | 1,595 | | | | | |
| TOTAL FAIR VALUE THROUGH PROFIT/LOSS | 4,945 | | | | | |

| INVESTMENT SECURITIES AT AMORTIZED COST: | | | | | | |
|--|--------------|-------|-------|-------|-----------|-------|
| LATIN AMERICA SOVEREIGN BOND | | | | | | |
| MEX-EUR 20280408 | 509 | 3.26% | 3.26% | 500 | 1,327,437 | 0.04% |
| TOTAL | 509 | | | | | |
| ASIA PACIFIC GOVERNMENT BONDS | | | | | | |
| INDON-EUR20240718 | 512 | 3.28% | 3.28% | 500 | 1,000,000 | 0.05% |
| INDON-EUR20250424 | 100 | 0.64% | 0.64% | 100 | 1,000,000 | 0.01% |
| INDON-EUR20250730 | 419 | 2.69% | 2.69% | 400 | 1,250,000 | 0.03% |
| INDON-EUR20280918 | 251 | 1.61% | 1.61% | 247 | 750,000 | 0.03% |
| INDON-EUR20280614 | 343 | 2.20% | 2.20% | 350 | 1,500,000 | 0.02% |
| KOR-EUR 20240810 | 407 | 2.61% | 2.61% | 400 | 750,000 | 0.05% |
| TOTAL | 2,032 | | | | | |
| ASIA PACIFIC CORPORATE BONDS | | | | | | |
| HLWPHYBOND00230408 | 150 | 0.96% | 0.96% | 150 | 1,350,000 | 0.01% |
| SUMBEK 20280615 | 203 | 1.30% | 1.30% | 200 | 1,500,000 | 0.01% |
| TOTAL | 353 | | | | | |
| EUROPEAN CORPORATE BONDS | | | | | | |
| BNP-EUR 20231122 | 500 | 3.20% | 3.20% | 500 | 875,000 | 0.06% |
| ING-EUR 20230820 | 500 | 3.20% | 3.20% | 500 | 1,000,000 | 0.05% |
| ING-EUR 20250903 | 986 | 6.32% | 6.32% | 1,000 | 1,000,000 | 0.10% |
| MUFG-EUR 20240809 | 500 | 3.21% | 3.20% | 500 | 500,000 | 0.10% |
| TOTAL | 2,486 | | | | | |
| PHILIPPINE SOVEREIGN BONDS | | | | | | |
| ROP-EUR 20270517 | 988 | 6.40% | 6.39% | 1,000 | 750,000 | 0.13% |
| ROP-EUR 20290203 | 1,297 | 8.31% | 8.31% | 1,300 | 600,000 | 0.22% |
| ROP-EUR 20330428 | 150 | 0.96% | 0.96% | 150 | 650,000 | 0.02% |
| ROP-EUR 20410428 | 509 | 3.26% | 3.26% | 500 | 600,000 | 0.06% |
| TOTAL | 2,903 | | | | | |
| US CORPORATES | | | | | | |
| BOFA-EUR 20290207 | 507 | 3.25% | 3.25% | 500 | 1,250,000 | 0.04% |
| CITI-EUR 20280910 | 207 | 1.33% | 1.33% | 200 | 897,974 | 0.02% |
| TOTAL | 714 | | | | | |
| TOTAL INVESTMENT SECURITIES AT AMORTIZED COST | 8,997 | | | | | |

| INVESTMENT IN LIQUID / SEMI-LIQUID ASSETS | | | | | | |
|--|--------------|--------|--------|-----|-----|-----|
| CASH AND CASH EQUIVALENTS | 518 | 3.32% | 3.32% | n/a | n/a | n/a |
| SHORT-TERM INVESTMENTS | 1,000 | 6.41% | 6.41% | n/a | n/a | n/a |
| GOVERNMENT SECURITIES | 4,568 | 29.27% | 29.26% | n/a | n/a | n/a |
| TOTAL | 6,084 | | | | | |

TOTAL OPERATING EXPENSES
AVE NET ASSET VALUE- January 1 to December 31, 2022 16,023

| | AMOUNT | PERCENTAGE TO NET ASSET VALUE |
|----------------------------------|----------------|-------------------------------|
| | (in thousands) | |
| MANAGEMENT AND DISTRIBUTION FEES | 60 | 0.37% |
| TAXES AND LICENSES | 7 | 0.04% |
| CUSTODIAN FEE | 1 | 0.01% |
| DIRECTORS' FEES | 7 | 0.04% |
| PROFESSIONAL FEES | 2 | 0.01% |
| OTHERS | 6 | 0.04% |
| TOTAL | 83 | |

TOTAL ASSETS TO TOTAL BORROWINGS
NO BORROWINGS FOR THE YEAR

ALFII EURO BOND FUND, INC.
ATTACHMENT TO FINANCIAL STATEMENTS

TOTAL ASSETS- January 1 to December 31, 2021 **17,287**
NET ASSET VALUE- January 1 to December 31, 2021 **17,231**

| SECURITY NAME | MARKET VALUE | PERCENTAGE TO NET ASSET VALUE | PERCENTAGE TO TOTAL ASSETS | NO. OF SHARES | OUTSTANDING SECURITIES OF AN INVESTEE CO. | PERCENTAGE TO OUTSTANDING SECURITIES OF AN INVESTEE CO. |
|--|--------------|-------------------------------|----------------------------|---------------|---|---|
| (in thousands) | | | | | | |
| SHORT-TERM INVESTMENTS | | | | | | |
| BPEUR1DT20220516 | 1,000 | 5.80% | 5.79% | 1,000 | n/a | n/a |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | | | | | |
| ASIA PACIFIC GOVERNMENT BONDS | | | | | | |
| INDON-EUR20280614 | 652 | 3.78% | 3.77% | 561 | 1,500,000 | 0.04% |
| TOTAL | 652 | | | | | |
| EUROPEAN CORPORATE BONDS | | | | | | |
| ING-EUR 20230920 | 202 | 1.17% | 1.17% | 200 | 1,000,000 | 0.02% |
| TOTAL | 202 | | | | | |
| LATIN AMERICA SOVEREIGN BONDS | | | | | | |
| MEX-EUR 20280408 | 521 | 3.02% | 3.01% | 500 | 1,327,437 | 0.04% |
| MEX-EUR 20300117 | 534 | 3.10% | 3.09% | 500 | 1,250,000 | 0.04% |
| TOTAL | 1,055 | | | | | |
| PHILIPPINE SOVEREIGN BONDS | | | | | | |
| ROP-EUR 20300428 | 893.22 | 0.057640038 | 0.0575214 | 1,500 | 750,000 | 0.002 |
| ROP-EUR 20270517 | 1,214 | 5.88% | 5.87% | 1,500 | 650,000 | 0 |
| TOTAL | 2,097 | | | | | |
| MUTUAL FUNDS (OFFSHORE INVESTMENTS) | | | | | | |
| FINSEHA | 1,785 | 10.24% | 10.22% | 117 | 430,515 | 0.03% |
| TOTAL | 1,785 | | | | | |
| TOTAL FAIR VALUE THROUGH PROFITS/LOSS | 5,681 | | | | | |

| SECURITY NAME | MARKET VALUE | PERCENTAGE TO NET ASSET VALUE | PERCENTAGE TO TOTAL ASSETS | NO. OF SHARES | OUTSTANDING SECURITIES OF AN INVESTEE CO. | PERCENTAGE TO OUTSTANDING SECURITIES OF AN INVESTEE CO. |
|---|--------------------|-------------------------------|----------------------------|---------------|---|---|
| INVESTMENT SECURITIES AT AMORTIZED COST: | | | | | | |
| LATIN AMERICA SOVEREIGN BOND | | | | | | |
| MEX-EUR 20280408 | 512 | 2.97% | 2.97% | 500 | 1,327,437 | 0.04% |
| TOTAL | 512 | | | | | |
| ASIA PACIFIC GOVERNMENT BONDS | | | | | | |
| INDON-EUR20280718 | 520 | 3.02% | 3.01% | 500 | 1,000,000 | 0.05% |
| INDON-EUR20280424 | 100 | 0.58% | 0.58% | 100 | 1,000,000 | 0.01% |
| INDON-EUR20280730 | 426 | 2.47% | 2.47% | 400 | 1,250,000 | 0.03% |
| INDON-EUR20280918 | 252 | 1.46% | 1.46% | 247 | 750,000 | 0.03% |
| INDON-EUR20280614 | 350 | 2.03% | 2.03% | 300 | 1,500,000 | 0.02% |
| KOR-EUR 20240610 | 412 | 2.39% | 2.39% | 400 | 750,000 | 0.05% |
| TOTAL | 2,061 | | | | | |
| ASIA PACIFIC CORPORATE BONDS | | | | | | |
| HLW-HYBOND02022808 | 187 | 1.09% | 1.09% | 185 | 750,000 | 0.02% |
| HLW-HYBOND020230408 | 151 | 0.88% | 0.87% | 150 | 1,350,000 | 0.01% |
| GLUMBK 20280615 | 203 | 1.18% | 1.18% | 200 | 1,500,000 | 0.01% |
| TOTAL | 542 | | | | | |
| EUROPEAN CORPORATE BONDS | | | | | | |
| BNP-EUR 20231122 | 499 | 2.90% | 2.89% | 500 | 875,000 | 0.06% |
| DB-EUR 20230128 | 400 | 2.32% | 2.32% | 400 | 1,263,500 | 0.03% |
| ING-EUR 20230920 | 499 | 2.90% | 2.89% | 500 | 1,000,000 | 0.05% |
| ING-EUR 20230903 | 981 | 5.69% | 5.68% | 1,000 | 1,000,000 | 0.10% |
| MUFG-EUR 20220311 | 400 | 2.32% | 2.32% | 400 | 750,000 | 0.05% |
| MUFG-EUR 20240608 | 500 | 2.90% | 2.89% | 500 | 500,000 | 0.10% |
| TOTAL | 3,280 | | | | | |
| PHILIPPINE SOVEREIGN BONDS | | | | | | |
| ROP-EUR 20270517 | 997 | 5.79% | 5.78% | 1,000 | 750,000 | 0 |
| ROP-EUR 20290203 | 1,286 | 7.52% | 7.51% | 1,300 | 600,000 | 0 |
| ROP-EUR 20300428 | 99 | 0.005774101 | 0.005762126 | 100 | 650,000 | 0.000153846 |
| ROP-EUR 20410428 | 509,333.90 | 0.029668781 | 0.02946748 | 500 | 800,000 | 0.000625 |
| TOTAL | 2902,418.17 | | | | | |
| US CORPORATES | | | | | | |
| ROP-EUR 20300207 | 510,278.59 | 0.029813602 | 0.029852188 | 500 | 1,250,000 | 0.0004 |
| CITI-EUR 20280910 | 209 | 0.012118649 | 0.012093517 | 200 | 897,974 | 0.000222724 |
| TOTAL | 719 | | | | | |

| SECURITY NAME | MARKET VALUE | PERCENTAGE TO NET ASSET VALUE | PERCENTAGE TO TOTAL ASSETS | NO. OF SHARES | OUTSTANDING SECURITIES OF AN INVESTEE CO. | PERCENTAGE TO OUTSTANDING SECURITIES OF AN INVESTEE CO. |
|--|-------------------|-------------------------------|----------------------------|---------------|---|---|
| TOTAL INVESTMENT SECURITIES AT AMORTIZED COST | | | | | | |
| | 10016.09164 | | | | | |
| INVESTMENT IN LIQUID / SEMI-LIQUID ASSETS | | | | | | |
| CASH AND CASH EQUIVALENTS | 453 | 2.63% | 2.62% | n/a | n/a | n/a |
| SHORT-TERM INVESTMENTS | 1000 | 0.058034412 | 0.057914057 | n/a | n/a | n/a |
| GOVERNMENT SECURITIES | 4,909 | 0.284914615 | 0.284333746 | n/a | n/a | n/a |
| TOTAL | 6362.16117 | | | | | |

| SECURITY NAME | AMOUNT | PERCENTAGE TO NET ASSET VALUE |
|---|--------------|-------------------------------|
| TOTAL OPERATING EXPENSES | | |
| AVE NET ASSET VALUE- January 1 to December 31, 2021 | 17077.6512 | |
| (in thousands) | | |
| MANAGEMENT AND DISTRIBUTION FEES | 64 | 0.37% |
| TAXES AND LICENCES | 13 | 0.08% |
| CUSTODIAN FEE | 4 | 0.02% |
| DIRECTOR'S FEES | 1 | 0.01% |
| PROFESSIONAL FEES | 0.70 | 4.09863E-05 |
| OTHERS | 5 | 0.000298762 |
| TOTAL | 88.12 | |

TOTAL ASSETS TO TOTAL BORROWINGS
NO BORROWINGS FOR THE YEAR

ALFM EURO BOND FUND, INC
Financial Statement Ratios
As at December, 2022 and December, 2021

| | <u>January 1 to December 31, 2022</u> | <u>January 1 to December 31, 2021</u> |
|------------------------------|---------------------------------------|---------------------------------------|
| Current Asset | 6,532 | 7,251 |
| Current Liabilities | 5 | 6 |
| Current /Liquidity Ratio | 1,405 | 1,125 |
| | | |
| Total Liabilities | 5 | 36 |
| Total Equity | 15,598 | 17,231 |
| Debt-to-Equity Ratio | 0.0003 | 0.0021 |
| | | |
| Total Assets | 15,603 | 17,267 |
| Total Equity | 15,598 | 17,231 |
| Asset-to-Equity Ratio | 1.0003 | 1.0021 |
| | | |
| Earnings Before Income Tax | (692) | 30 |
| Interest Expense | - | - |
| Interest Rate Coverage Ratio | n.a. | n.a. |
| | | |
| Net Income | (608) | 29 |
| Total Equity | 15,598 | 17,231 |
| Return on Investment | (0.04) | 0.00 |