

# COVER SHEET

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S.E.C. Registration Number

S	O	L	I	D	A	R	I	T	A	S	F	U	N	D	I	N	C	.
F	O	R	M	E	R	L	I	Y	B	A	H	A	Y	P	A	R	I	
S	O	L	I	D	A	R	I	T	A	S	F	U	N	D	I	N	C	.

(Company's Full Name)

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S	E	N	.	G	I	L	J	.	P	U	Y	A	T	A	V	E	.		
M	A	K	A	T	I	C	I	T	Y										

(Business Address: No., Street, City / Town / Province)

<b>Marcelo M. Verdillo</b>
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Contact Person

(632) 8580-0900
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Company Telephone Number

1 2	3 1
<small>Month</small>	<small>Day</small>

Fiscal Year

<b>17-A</b>
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FORM TYPE

<small>Month</small>	<small>Day</small>

Annual Meeting

N / A
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Secondary License Type, If Applicable

C G F D
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Dept. Requiring this Doc.

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Amended Articles / Section

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Total No. of Stockholders

Total Amount of Borrowings			
<table border="1" style="border-collapse: collapse; width: 100%;"> <tr><td style="height: 20px;"> </td></tr> </table> <p style="text-align: center;">Domestic</p>		<table border="1" style="border-collapse: collapse; width: 100%;"> <tr><td style="height: 20px;"> </td></tr> </table> <p style="text-align: center;">Foreign</p>	

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To be accomplished by SEC Personnel concerned

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File Number

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Cashier

S T A M P S
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Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2022
2. SEC Identification Number CS2008-03624
3. BIR Tax Identification No. 006-986-509

4. **SOLIDARITAS FUND, INC.**  
Exact name of issuer as specified in its charter

- Metro Manila, Philippines**  
5. Province, Country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7. **19/F BPI BUENDIA CENTER, SEN. GIL J. PUYAT AVENUE, MAKATI CITY**  
Address of principal office 1209  
Postal Code

8. **(632) 8580-0900**  
Issuer's telephone number, including area code

9. **BAHAY PARI SOLIDARITAS FUND, INC.**  
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding (as of 31 December 2022)
<b>COMMON SHARES " A "</b>	<b>69,119,453</b>

11. Are any or all of these securities listed on a Stock Exchange?

Yes [ ] No [ X ]

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [ X ] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ X ] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

Php137,540,799.524 (NAVPs of Php1.9899 x 69,119,453 as of 31 December 2022)

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.  
N.A.

**DOCUMENTS INCORPORATED BY REFERENCE**

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

- |   |      |
|---|------|
| (a) Any annual report to security holders                   |      |
| <b>Audited Financial statements attached herewith</b>       |      |
| (b) Any information statement filed pursuant to SRC Rule 20 | NONE |
| (c) Any prospectus filed pursuant to SRC Rule 8.1           | NONE |

**MANAGEMENT REPORT**

**PART I - BUSINESS AND GENERAL INFORMATION**

**DESCRIPTION OF BUSINESS**

**1. Business Development**

The Solidaritas Fund, Inc. ("Solidaritas" or the "Fund") is a domestic corporation duly authorized to operate as an open-end investment company. The Fund was incorporated on March 10, 2008 as Bahay Pari Solidaritas Fund, Inc. with an authorized capitalization of P112.4 Million consisting of 112,400,000 common shares of par value P1.00 per share. The Fund applied for an increase in authorized capital stock amounting to P141 million divided into 141 million shares with P 1.00 par value and obtained the SEC's approval on April 11, 2014. On July 17, 2017, the Fund's Board of Directors and Shareholders approved an amendment in the Articles of Incorporation to change the Fund's name to Solidaritas Fund, Inc. The SEC approved the change in company name on April 13, 2018. The Fund was organized and incorporated to engage in the sale of its shares of stock and in the investment of the proceeds of this sale into a basket of stocks and fixed income securities.

The Solidaritas Fund was officially transferred from the management of Multinational Investment Bancorporation to BPI Investment Management, Inc. on June 3, 2010.

The investment objective of the Fund is to provide long-term capital appreciation through investments in a diversified portfolio of equity and fixed income securities. Due to the aggressive nature of the Fund,

Solidaritas Fund, Inc. shall best cater to investors who are aware of risks in investing in stocks and who can tolerate interim price volatilities in exchange for long-term capital growth. The Fund is ready to redeem at the applicable Net Asset Value per Share, all or any part of the Shares standing in the name of a Shareholder in the Fund.

BPI Investment Management, Inc. ("BPI Investment") shall act as the Fund's Investment Manager and, as such, is tasked to formulate and implement the investment strategy of the Fund, and to provide and render management and technical services to prospective investors. BPI Investment, a wholly-owned subsidiary of the Bank of the Philippine Islands, was incorporated in 1974 to principally engage in the business of managing an investment company. BPI Investment is licensed by the SEC to act as fund manager (or "investment company adviser") as well as a distributor of mutual funds. BPI Investment shall also act as the Fund's Investment Advisor and is tasked to render services which include investment research and advice; the preparation of economic, industry, market, corporate, and security analyses; and assistance and recommendations in the formulation of investment guidelines. For its services, the Fund Manager shall charge a fee of not more than 2% per annum net of distribution and/or marketing referral fees.

The date of the last renewal by the SEC of BPI Investment Management, Inc.'s license as investment company manager is November 2022.

The Fund's shares will be offered to institutional and individual members of the Diocesan Clergy Community and church affiliates. There is no plan to apply for listing in any exchange the shares of the registrant. Consequently, none of the registrant's shares are to be allocated to an exchange and/or to its members. Sales agents of the Fund's distributors may collect a Sales Load based on each amount invested by an applicant or Shareholder in the Fund, in an amount not exceeding 1.5% of the investment. Notwithstanding, the Fund's distributor has the discretion to waive such sales load as it deems necessary.

The principal distributor of Solidaritas Fund is BPI Investment Management, Inc., a licensed distributor by the Securities and Exchange Commission.

Solidaritas Fund, as an investment company, will be regularly dealing with the following principal parties, among others, as follows:

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

BPI Investment Management, Inc.  
BPI Investment Management, Inc.

#### *Risk Factors and Investment Considerations*

The NAVPS of the Fund may fluctuate due to changes in the market values of the Fund's investments. Such changes in market value may be attributable to various factors such as:

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

- 1) Market Risk - the risk that movement in the financial markets will adversely affect the value of investments of the Fund. To properly manage market risk, various risk measurement methodologies are utilized to quantify the potential change in portfolio value resulting from changes in security prices. Measures of risk-adjusted performance are also utilized. Market risk is controlled through the establishment of investment limits and by managing the fund according to investment guidelines and parameters that are consistent with its return objective and risk profile.
- 2) Interest Rate Risk - the risk that the value of the portfolio will decline as interest rates rise. Bond prices are inversely related to interest rates (ie. as interest rates increase, bond prices decrease). Interest rate risk is measured using duration and controlled through duration limits. To mitigate this risk, the Fund Manager closely monitor movements in interest rates.

- 3) Liquidity Risk - The risk that the investments of the Fund cannot be sold or converted into cash within a reasonable time or in instances where sale or conversion is possible but not at a fair price. A liquidity contingency plan, which provides a framework for addressing liquidity crisis situations is in place.
- 4) Credit Risk - the risk that the bond issuer may not be able to pay its debt when interest payments and maturity falls due. Credit risk is minimized through diversification. Investment and counterparty limits are also established and monitored regularly. All investment outlets and counterparties go through accreditation prior to the execution of investment transactions.
- 5) Inflation Risk - the risk that the return of your investments will not keep in pace with the increase in consumer prices. To mitigate inflation risk, the Fund Manager closely monitors inflation.
- 6) Reinvestment Risk - the risk associated with the possibility of having lower return when maturing securities or the interest earnings of funds are re-invested. To mitigate reinvestment risk, the Fund Manager closely monitors interest rate trends so as to re-invest at higher interest rates.
- 7) Foreign Exchange Risk - this is the possibility for an investor to experience losses from a decline in fund value when the market value of fixed income securities, settled in any other currency, held by the fund are converted/translated to Philippine Peso. To mitigate foreign exchange risk, the fund manager closely monitor the movements in the spot market.

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

1. Investors in an open-end fund are exposed to the risk of dilution, since open-end investors are allowed to contribute and/or withdraw their entire holdings anytime. Given this inherent risk, the Investment Manager tries to lessen the frequency of withdrawals by imposing an early redemption penalty for investors who withdraw from the Fund before the 180-day minimum holding period. By doing this, investors are discouraged to withdraw during the minimum holding period and the Investment Manager will be able to maximize the investment during the said period.
2. Unlike closed-end funds, the investment potential and capability of the Fund are limited by liquidity constraints as the Investment Manager should always ensure that there are sufficient liquid assets to service withdrawals at any given time.
3. Unlike bank accounts, investment companies / mutual funds are neither insured with the PDIC or any other agency of the government, nor guaranteed by the Investment Manager. Before investing in the Fund, investors are expected to understand that it is not a bank deposit product and any income or loss shall be for the account of the investor. Investors are advised to read the Prospectus of the Fund, which may be obtained from authorized distributors, before deciding to invest. The Fund is registered with the Securities and Exchange Commission (SEC).
4. Mutual funds are subject to "manager risk," which is the potential for a fund to fail to achieve its objectives due to investment decisions by the Investment Manager, caused by the Investment Manager's ability or failure to "read the market" accurately. To mitigate this risk, the Investment Manager employs a thorough investment process, considering macroeconomic factors and integrating them in asset allocation models to optimize the return of the portfolio. The Fund Manager likewise keeps abreast of current market conditions through various trainings and seminars on fund management techniques as well as close coordination with various counterparties and regulators.

2. *Distribution methods of the products or services*

The Solidaritas Fund is distributed by SEC Licensed Mutual Fund Agents of BPI Investment Management, Inc. (BIMI). The Fund was organized and incorporated to engage in the sale of its shares of stock primarily to Catholic parish priests, diocesan clergy, and related diocesan institutions.

3. *Competition*

The Solidaritas Fund competes with thirteen (13) other balanced mutual funds in the Philippine Mutual Fund Industry. As of December 31, 2020, the total net asset value of balanced mutual funds as reported by the Philippine Investment Funds Association, Inc. (PIFA) amounted to Php 24.64 Billion. Of this, Php 155.46 Million belongs to the Fund.

**4. Effect of existing or probable governmental regulations on the business.**

The Solidaritas Fund believes that government regulations are intended to strengthen the industry for the benefit of the investing public and will, thus, comply with the regulations imposed as may be instituted by the regulatory authorities.

**5. Number of employees**

Solidaritas Fund does not have employees of its own since the management and administrative operations of the Fund are already being handled by its fund manager, BPI Investment Management, Inc. The Fund (registrant) does not have a parent company.

**PROPERTIES**

The Solidaritas Fund does not own any property described under Annex C of SRC Rule 12 such as real estate, plant and equipment, mines, patents, etc.

**LEGAL PROCEEDINGS**

The Fund is not aware of any pending legal proceedings to which it is a party.

**SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

There were no matters submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of the fiscal year covered by this report.

**PART II - OPERATIONAL AND FINANCIAL INFORMATION**

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

**1. Market Information**

a. Market Price ( NAVPS in Pesos)	2016	2015	2014	2013	2012	2011
Quarter ending March 31	2.045	2.1615	1.8878	1.9651	1.7621	1.3777
Quarter ending June 30	2.122	2.0884	1.9642	1.8849	1.6924	1.4375
Quarter ending September 30	2.115	2.0100	2.0342	1.8410	1.7181	1.3708
Quarter ending December 31	1.9917	1.9979	2.0285	1.7921	1.7935	1.4348

a. Market Price ( NAVPS in Pesos)	2022	2021	2020	2019	2018	2017
Quarter ending March 31	2.1175	1.98	1.7778	2.1501	2.1484	2.0701
Quarter ending June 30	1.9261	2.06	1.9393	2.1593	2.0307	2.1457
Quarter ending September 30	1.849	2.06	1.8908	2.1269	2.0350	2.1994
Quarter ending December 31	1.9899	2.09	2.0911	2.1221	2.0692	2.2421

Stated below are the High and Low Net Asset Value Per Share (NAVPS) for each quarter from 2010 to 2022

Quarter Ending	2013		2012		2011		2010	
	Low	High	Low	High	Low	High	Low	High
March	1.7963	1.7634	1.4347	1.7634	1.2994	1.4300	1.2994	*

June	1.7952	1.7899	1.6469	1.7899	1.3939	1.4375	1.3939	*
September	1.7340	1.7215	1.6820	1.7215	1.3182	1.4896	1.3182	*
December	1.7822	1.8084	1.7127	1.8084	1.3423	1.4362	1.3423	*

Quarter Ending	2017		2016		2015		2014	
	Low	High	Low	High	Low	High	Low	High
March	1.9966	2.0764	1.8877	2.0609	2.0307	1.9966	1.7850	1.8928
June	2.0741	2.1669	2.0126	2.1255	2.0497	2.0741	1.8982	1.9700
September	2.1434	2.2100	2.0938	2.1611	1.9706	2.1434	1.9583	2.0342
December	2.1767	2.2494	1.9534	2.1261	1.9687	2.1767	1.9900	2.0657

Quarter Ending	2022		2021		2020		2019		2018	
	Low	High	Low	High	Low	High	Low	High	Low	High
March	2.0399	2.1505	1.97	2.12	1.7505	2.1324	2.0770	2.1731	2.1375	2.3145
June	1.9190	2.1074	1.94	2.07	1.7794	1.9918	2.0893	2.1684	1.9977	2.1550
September	1.8490	2.0214	1.96	2.08	1.8680	1.9639	2.1269	2.2184	2.0148	2.1288
December	1.8571	2.0303	2.06	2.14	1.8926	2.1154	2.0948	2.1900	1.9653	2.0990

\*NAVPS unavailable due to transfer of fund management from Multinational Investment Bancorporation to BIMi in 2010.

The Fund's shares are unlisted and as such are not traded in the Philippine Stock Exchange. The shares are being sold by SEC-licensed mutual fund sales agents thru the Fund's authorized distributors enumerated under Part I - Distribution Methods of this report.

## 2. Dividends

- The Fund has not issued any cash dividends since inception.
- Declaration of cash dividends is limited to the declaration made by the Board of Directors subject to the restriction that no dividends will be declared that will impair the capital stock of the company.

## 3. Number of holders

The Fund has a total of 196 security holders as of the 31 December 2022. The corporation has only one class of common stock.

## 4. Institutional and retail investors

The table below shows the Fund's total number of institutional and retail investors and the percentage of their investments as of December 31, 2022.

Solidaritas Fund	Retail	Institutional
Number of investors	153	44
Percentage of investments	20.29%	79.71%

#### 5. Geographic concentration of investments

The geographic concentration of investments as of December 31, 2022 is as follows: Luzon (96%), Visayas (3%), and Mindanao (1%).

#### 6. Investment company return information

Stated below is the Fund's return in the last five (5) recently completed fiscal years.

Solidaritas Fund				
2018	2019	2020	2021	2022
-4.85%	-2.52%	-2.18%	-1.01%	-2.39%

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

Not applicable.

### MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

#### AS OF DECEMBER 31, 2022

The PSEi fell 7.8% in 2022, underperforming much of its ASEAN peers. On flows, foreigners were net sellers amounting to Php1.245 billion based on Bloomberg data. In the Philippines, Telcos underperformed mainly on issues surrounding the capex of a major industry player as well as tougher competition along with Property amid the sharp rise in interest rates. On the other hand, Banks outperformed.

The PSEi closed at almost 13x forward PE based on consensus estimates, below its 10-year mean of around 17x.

The major theme for 2022 was inflation. The BSP matched the US Federal Reserve's aggressive tightening to support the Peso and tame inflation. Peso eventually rebounded after its weakest level in mid-October.

As of end December 2022, Solidaritas Fund's trading net asset value (NAV) per share was computed at P1.9899, a decrease of 4.85% from P2.091 of the previous year. The decrease in NAV per share can be attributed mainly to the decline in the local equities market in 2022.

#### Key Performance Indicators

- a) *Performance vis-à-vis the Benchmark* – Solidaritas Fund is an actively managed balanced fund whose objective is long-term capital appreciation through investments in a diversified portfolio composed of high-grade fixed-income and equities investment instruments. The Fund's return on investment (ROI) for full year 2022 was a loss of 4.85%, compared to 2021's decline of 0.13% net of fees and taxes. In 2022, the benchmark had a return of -2.67%, resulting to a fund underperformance of 218 bps.
- b) *Portfolio Quality* – The Fund's portfolio should, at all times, adhere to the investment parameters as indicated in the Fund's prospectus. The Fund invests in a mix of high grade fixed income instruments and local equities, except stocks which have not been approved by the Fund's Board of Directors (i.e., gaming, gambling, hard liquor, cigarettes and tobacco, and mining).



- c) *Market Share in the Industry* – As of December 2022, Solidaritas Fund cornered 1.0% of the P13.72 Billion total net asset value of balanced funds based on PIFA’s December 2022 report. The Fund accounted for 0.6% of balanced funds’ NAV in 2021.
- d) *NAV Growth vis-à-vis Industry Growth* – As of December 31, 2022, the Fund’s NAV fell to P137.54 Million, down 7.40% from P148.52 Million. The Balanced Fund Industry contracted by 43.07%.
- e) *Performance vis-a-vis Competition* – Solidaritas ranked 1st among the peso balanced mutual funds in 2022.

#### AS OF DECEMBER 31, 2021

As of end December 2021, Solidaritas Fund’s trading net asset value (NAV) per share was computed at P2.091, a decrease of 0.13% from P2.094 of the previous year. The decrease in NAV per share can be attributed to the decline in the local equities market in 2021.

Total assets of the Fund amounted to P148.98 Million, or 4.37% lower than the aggregate P155.78 Million recorded as of end-2020. This consists of P3.91 Million in Cash and Cash Equivalents, P99.65 Million in Financial Assets at Fair Value through Profit or Loss, P0.42 Million in Receivables, and P45.00 Million in Investment in Securities at Amortized Cost. Total Liabilities consisting of Accounts Payable and Accrued Expenses amounted to P0.71 Million.

Investment Income totaled P3.05 Million in 2021, with P2.28 Million in Interest Income, and P1.90 Million in Dividend Income accounting for the bulk of it. Total expenses amounted to P3.40 Million, with P 3.26 Million from Management Fees, P0.03 Million from Taxes and Licenses, and P0.11 Million in Miscellaneous Expenses. These resulted to Net Investment Loss Before Tax of P0.35 Million in 2021.

#### **Key Performance Indicators**

- f) *Performance vis-à-vis the Benchmark* – Solidaritas Fund is an actively managed balanced fund whose objective is long-term capital appreciation through investments in a diversified portfolio composed of high-grade fixed-income and equities investment instruments. The Fund’s return on investment (ROI) for full year 2021 was a loss of 0.13%, compared to 2020’s decline of 1.49% net of fees and taxes. In 2021, the benchmark had a return of 0.79%, resulting to a fund underperformance of 92 bps.
- g) *Portfolio Quality* – The Fund’s portfolio should, at all times, adhere to the investment parameters as indicated in the Fund’s prospectus. The Fund invests in a mix of high grade fixed income instruments and local equities, except stocks which have not been approved by the Fund’s Board of Directors (i.e., gaming, gambling, hard liquor, cigarettes and tobacco, and mining).
- h) *Market Share in the Industry* – As of December 2021, Solidaritas Fund cornered 0.6% of the P24.11 Billion total net asset value of balanced funds based on PIFA’s December 2021 report. The Fund accounted for 0.6% of balanced funds’ NAV in 2020.
- i) *NAV Growth vis-à-vis Industry Growth* – As of December 31, 2021, the Fund’s NAV fell to P148.52 Million, down 4.46% from P155.24 Million. The Balanced Fund Industry contracted by 2.14%.
- j) *Performance vis-a-vis Competition* – Solidaritas ranked 5th among the peso balanced mutual funds in 2021.

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

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

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

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

None

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

None

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

None

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

None

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

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

BPI Investment Management Inc. (BIMI) has registered under foreign Account Tax Compliance Act (FATCA) as a sponsoring entity for the Funds it manages. These Funds include the ALFM Mutual Funds, Ekklesia Mutual Fund and Solidaritas Fund. As a sponsoring entity, BIMI will perform the due diligence, withholding, and reporting obligations of the sponsored entities.

In accordance with this, investors who make initial subscriptions to the Fund from July 1, 2014 onwards have been asked to submit the necessary documents if they are identified as US citizens, or if they fall under any of the US indicia categories.

#### **FINANCIAL STATEMENTS**

Audited Financial Statements attached herewith.

#### **CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

There are no disagreements with the external auditors on the accounting and financial disclosures of the Fund.

#### **EXTERNAL AUDIT FEES**

The fund paid a total of P384,384.00 in audit fees in 2022 for the 2021 audited financial statements while P271,040.00 in audit fees were paid in 2020 for the 2019 audited financial statements.

The fund engaged the external auditor to audit the 2022 audited financial statements. No final billing has been made for the year 2022 as of the date of filing. However, an estimate of the amount is at P220,000.00.

The audit committee approves any engagement for the services of the external auditor. After reviewing the need for the services of the auditor, the audit committee reviews the engagement proposal submitted. The committee then agrees on the fees to be charged by the external auditors.

The Audit Committee which oversees the corporation's external audits is headed by Atty. Rene DG Banez, Independent Director, as Chairman, Monica Mei C. Young, Independent Director and Rev. Fr. Herbel F. Torres as members.

### **PART III - CONTROL AND COMPENSATION INFORMATION**

#### **DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER**

The following, who are all Filipino citizens, are the Fund's Directors and Officers:

- 1. Rev. Fr. Antonio Cecilio T. Pascual**  
**Director/Chairman**  
**Term of Office as Director: April 15, 2008 - present**  
**Citizenship: Filipino**

Fr. Anton Pascual, 63 years old, Filipino, is currently the Executive Director of Caritas Manila, Inc. He is also the President of Radio Veritas, a minister of the Social Services Development Ministry of the Roman Catholic Archdiocese of Manila. He holds key positions in several cooperatives. He is the Founder and Chairman of Simbayanan ni Maria Development Cooperative, Chairman of the Solidaritas Credit Cooperative, Chairman of the Metro South Cooperative Bank, and Director of Caritas SALVE Microfinance Cooperative. He is also a member of the Board of Trustees of Alfonso Yuchengco Foundation, Inc., One Meralco Foundation, Inc., Philippine Council for NGO Certification, and Bayan Academy. He has also been a member of the Board of Trustees of Association of Foundations, Inc. (2015-2017). He has a degree in Philosophy from Our Lady of Angels Franciscan Seminary and in Theology from San Jose Major Seminary, Ateneo de Manila University. He earned a Master's degree in Development Management from the Asian Institute of Management.

- 2. Rev. Fr Lamberto S Ramos**  
**Director/President**  
**Term of Office as Director: December 19, 2022 - present**  
**Citizenship: Filipino**

Fr Lamberto S Ramos was ordained a priest only last June 1, 2018, 55 years after meandering through 2 seminaries namely San Carlos Seminary and Loyola School of Theology, "with interruption in between" such as : regency, a happy marriage, 3 children, 3 master's degrees in: a. Philosophy (Ateneo), b. Business Economics(University of Asia and Pacific), and c. Marketing Management (RVB Technological University of Delft, the Netherlands), successful domestic and international corporate career (Alaska Milk, General Milling, Jardines, Budweiser Beer, Hardiflex, Nextel among others), then wife's cancer and subsequent demise.

Today Fr Lambert is the Rector and Administrator of the Shrine and Parish of Our Lady of the Abandoned Church, Marikina and has just been recently appointed CEO of Solidaritas Credit Cooperative. He likewise sets up systems and processes for the bishop of Antipolo and other priests to upgrade their management structure so as to increase the efficiency and effectiveness of their various parishes. To ground his management expertise and experience in canonical foundation, he

was sent to Rome to take up Program of Church Management at Universita della Santa Croce. He likewise helps the marital and parental ministries of the diocese.

After a secular life as CEO in various companies, barking orders and fiats, he made a solemn promise to obey his bishop in all humility and obedience, not to mention celibacy and life simplicity! Talk about radical change in identity, lifestyle and mission!. If most people are only allowed to respond once to "the universal call to holiness", such as the choice of a particular state of life in the church either as an ordained priest or be a good married man and father (with the chosen mission related to each state of life), Fr Lambert's unique vocation and response has been to both: thus "dalawang langit ang nasungkit!" Both experiences as priest and married man will serve him well as he embarks on a new life, witnessing to the "Magandang Balita ng Panginoon", in imitation of Jesus' life, with self-giving love and service as prime motivation and nothing else.

3. **Rev. Fr. Antonio E. Labiao, Jr.**  
**Director/Treasurer**  
**Term of Office as Director: May 19, 2010 - present**  
**Citizenship: Filipino**

Fr. Antonio E. Labiao Jr, 68 years old, Filipino, currently the Parish Priest and Rector of The Diocesan Shrine of Our Lady of Mercy, Novaliches, Quezon City (since 2013). Prior to his present assignment, he was the Parish Priest and Rector of St. Peter Parish: Shrine of Leaders, Commonwealth Avenue, Quezon City (2007-2013). Prior to his being Parish Priest and Rector in St Peter Parish, he was the Parish priest of Jesus, Lord of Divine Mercy Parish, Mapayapa Village I, Quezon City (2002-2007) and at the same time Administrator of Mary the Queen Parish, Fairview, Quezon City (2006-2007). He is also concurrently the Vicar General for Pastoral Affairs of the Diocese of Novaliches. As Vicar General, he serves as the Pastoral Director of the Diocesan pastoral programs.

Fr Tony, as he is commonly called, earned his Bachelor of Arts degree in Philosophy in Notre Dame University in Cotabato City. He finished his degree in Sacred Theology in St. Francis Xavier Major Seminary, Davao City. He was ordained priest on March 29, 1979.

4. **Most Rev. Mylo Hubert C. Vergara, D.D.**  
**Director**  
**Term of Office as Director: April 15, 2008 - present**  
**Citizenship: Filipino**

Bishop Mylo Vergara, 60 years old, Filipino, is currently the Bishop of Pasig (since 2011). Prior to his Episcopal Ordainment in April 30, 2005, he served as Vicar Clergy for the Diocese of Cubao in the year 2005 and became President of Radio Veritas Global Broadcasting, Inc., Manila in 2001. He was also a member of the Credit Committee of the Bahay Pari Credit Cooperative in 1999 and a Presbyterial Council member of the Archdiocese of Manila from 1994-2001. Bishop Mylo had also been engaged in the teaching profession by becoming a Dean of Studies and Professor of Philosophy in the Holy Apostles Seminary from 1990 - 1994. He has also acted as parish priest of the Santa Rita de Cascia Parish (2001-2003) and Holy Sacrifice Parish in Diliman, Quezon City (2003-2005). He was the Bishop of San Jose, Nueva Ecija. He is currently the bishop of the Diocese of Pasig.

He earned his Master's degree in Philosophy and Bachelor's degree in Management Engineering from the Ateneo de Manila University. He completed his elementary and high school education at the Ateneo de Manila University. He achieved his licentiate in Sacred Theology from the Loyola School of Theology and Doctoral in the same field from the University of Sto. Tomas.

5. **Rev. Fr. Orlando B. Cantillon**  
**Regular Director**  
**Citizenship: Filipino**

Fr. Orlando B. Cantillon, 63 years old, Filipino, the current school Director of Colegio de Sta. Ana and Sto. Nino Parochial School both in Taguig. He entered Claret Seminary in 1976. He then finished Bachelor of Philosophy at the University of Santo Tomas in 1980 and Theology at Loyola School of Theology, Ateneo de Manila in 1986. He was then ordained a Claretian Priest on March 8, 1986. He was assigned as the following: Parochial Vicar at Immaculate Heart of Mary, U.P. Village (1986-1987), Seminary Formator and Instructor (1987-1990), Missionary in East Timor and West Timor (1990-1995), Studied at Instituto de Vida Religiosa, Madrid (1995-1997), Parochial Vicar of San Roque, Pateros (1997-1998), Chaplain of College of St. Benilde (1998-1999), Parish Priest of San Isidro, Novaliches (1999-2000), Parish Priest of St. John the Baptist, Taguig (2000-2005), Parish Priest of San Antonio Abad, Pasig (2005-2007), Parish priest of San Roque, Pateros (2007-2010), and Parish Priest of Immaculate Conception Cathedral, (2010). He also finished M.A. in Educational Management at Pasig Catholic College (2010), and is now a Ph.D. (Candidate) in Educational Management, UST (2012).

6. **Ms. Monica Mei C. Young**  
**Independent Director**  
**Term of Office as Independent Director: March 24, 2022 - present**  
**Citizenship: Filipino**

**Monica Mei C. Young**, Filipino, currently Associate Project Officer and Consultant in Asian Development Bank. Financial due diligence analyst and INSEAD MBA graduate (Financial Times' #3 Global MBA) with over 10 years of experience in evaluating risk, financial statements, project sustainability, financial sector development programs, developing models and extensive international experience. 2015, INSEAD MBA Class of December 2015 Classes Attended: Corporate Finance, Bank Management, Quantitative Methods, France/ Singapore, Wharton School of the University of Pennsylvania MBA Exchange Program Class Attended: Entrepreneurship Through Acquisitions, (USA), 2005 - 2009 Ateneo De Manila University Bachelor of Science / Management - Top 10% of entrance test examinees (approx. 10,000 applicants), 2007 Hong Kong Baptist University (4-month course, Awarded full scholarship: International & Cross-cultural Bus, Management & Communications program, Hong Kong

7. **Atty. Rene Banez**  
**Independent Director**  
**Term of Office as Independent Director: March 24, 2022 - present**  
**Citizenship: Filipino**

**Atty Rene DG. Banez**, 67 years old, Filipino, formerly PLDT INC. Senior Vice President & Head-Supply Chain, Asset Protection & Management Group January 1, 2008 - February 15, 2016, Senior Vice President & Chief Governance Officer October 5, 2004 - December 31, 2007, Corporate Governance Advisor September 1, 2003 - October 4, 2004, Senior Vice President August 10, 2000 - January 31, 2001, First Vice President Support Services & Tax Management November 24, 1998 - August 9, 2000. Smart Communications, Inc. Head, Supply Chain, Asset Protection & Management Division January 1, 2008 - February 15, 2016, Pacific Global One Aviation Company President December 5, 2011 - January 17, 2014, Metro Pacific Investment Corporation Group Tax Director January 1, 1997 - November 23, 1998. Isla Lipana & Co./PriceWaterhouseCoopers (Formerly Joaquin Cunanan & Company) Tax Consultant November 2, 1982 - June 30, 1983 Sison, Ortiz & Associates (Law Firm) Associate Lawyer January 4, 1982 - October 31, 1982.

8. **Bishop Roberto Gaa**  
**Director (New)**  
**Term of Office as Director: January 01, 2022 - present**  
**Citizenship: Filipino**

**Bishop Roberto Gaa**, 60 years old, Filipino, formerly in Holy Apostle Senior Seminary in Guadalupe Makati year 2012 to year 2019 as Dean of Studies, and in Presbyteral Council

Archdiocese of Manila year 2008 to year 2015 as member. And in Holy Spirit Parish Tala Caloocan City year 2001 to year 2002 as Parish Priest. And Saint Anthony of Padua Parish Singalong, Manila City year June 2001 to August 2001.

**9. Rev. Fr. Herbel F. Torres**

**Director**

**Term of Office as Director: December 19, 2022 - present**

**Citizenship: Filipino**

I am Fr. Herbel F. Torres, currently the parish priest of our lady of Pentecost Parish (Diocese of Cubao) and the Oeconomus for the diocese since 2018.

Previously, I have also been assigned as the parish priest of Holy Family parish (proj.8) from 2009 to 2012 and from 2012 to 2018 at Our Lady of Fatima Parish. In addition, I used to be the priest-in-charge of the audit department of the diocese.

I graduated from college in Sto. Niño seminary (numancia, aklan) with the degree in bachelor of arts in philosophy.

After which I received my bachelor's degree in theology from Loyola School of theology while also obtaining my M.A in pastoral ministry from the Ateneo De Manila University. I had my theological formation at San Jose seminary.

**Other Officers of the Fund**

**1. Atty. Sabino B. Padilla IV**

**Corporate Secretary**

Atty. Sabino B. Padilla IV, 60 years old, Filipino, is the Corporate Secretary of the Fund. Atty. Padilla graduated with a degree in Bachelor of Laws from the University of the Philippines in 1985. He then received his Master of Laws from the Harvard University, USA in 1988. He is currently a partner of the Padilla Law Office which is legal counsel to various religious orders, societies and congregations for men and women as well as educational institutions and hospitals operated by them, and to BPI and its subsidiaries. Atty. Padilla is also the Corporate Secretary of other mutual funds such as Ekklesia Mutual Fund, ALFM Money Market Fund, ALFM Peso Bond Fund, ALFM Euro Bond Fund, ALFM Dollar Bond Fund, ALFM Growth Fund, Philippine Stock Index Fund and ALFM Global Multi-Asset Income Fund.

**2. Meriza R. De Guzman, Compliance and Risk Officer**

Meriza joined BPI Investment Management last April 2022 as Risk Officer. Prior to joining BPI, she served as the Unit Head for regulatory risk reporting of Credit Management Group in China Banking Corporation and a Credit Risk Officer in Bank of Makati and Philippine Business Bank. She earned her B.S. Accountancy degree from University of the East.

**Additional Information required under Annex C of SRC Rule 12:**

- The incorporators of the Fund are: Rev. Fr. Antonio Cecilio T. Pascual, Rev. Fr. Emmanuel O. Sarez, Bishop Francisco C. San Diego, Rev. Msgr. Daniel B. Sta. Maria, Rev. Msgr. Alfonso A. Bugauan, Jr., Bishop Mylo Hubert C. Vergara, Rev. Fr. Ernesto C. Raymundo, Rev. Fr. Marlou V. Lemaire, Francisco E. Josef, Jose Luis L. Vera, Bahay Pari Credit Cooperative, Diocese of Cubao, Bishop Teodoro C. Bacani, Jr., Diocese of Novaliches, Rev. Fr. Arnel F. Recinto, Santa Maria della Strada Foundation, Diocese of Pasig, DZRV Radio Veritas Foundation, Inc., Immaculate Conception Cathedral, Simbayanan ni Maria Development Cooperative, Diocese of San Jose, Nueva Ecija and the Diocese of Iba.

- There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers or persons nominated or chosen by the registrant to become directors or executive officers.
- Each Director shall serve for a term of 1 year from his appointment and until his successor has been duly elected and qualified, provided, however, that any director may be removed from office at anytime with or without cause by a 3/4 vote of the subscribed capital stock entitled to vote.
- None of the Board of Directors or Officers of the Company are involved or have been involved in any legal proceeding during the past five (5) years that are material to an evaluation of the ability or integrity of any of the said directors or officers of the company, specifically:
  - None of the Board of Directors are involved in any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of bankruptcy or within two years prior to that time;
  - None of the Board of Directors are involved in any conviction by final judgment, including the nature of the offence, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
  - None of the Board of Directors are being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
  - None of the Board of Directors are being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended or vacated.

#### EXECUTIVE COMPENSATION

Director / Officer	Position	Year	Salary	Bonus	Other Salary
Rev. Fr. Lamberto S. Ramos	Director/President	2022	3,000.00	-	-
		2023 (estimated)	12,000.00	-	-
Most Rev. Mylo Hubert C. Vergara, D.D.	Director/Former Chairman	2010	*	-	-
		2011	8,590.00	-	-
		2012	11,220.00	-	-
		2013	11,220.00	-	-
		2014	7,560.00	-	-
		2015	3,570.00	-	-
		2016	6,180.00	-	-
		2017	6,120.00	-	-
		2018	3,780.00	-	-
		2019	6,480.00	-	-
		2020	3,780.00	-	-
		2021	12,000.00	-	-
		2022	9,000.00	-	-
2023 (estimated)	12,000.00	-	-		
		2010	*	-	-

Rev. Msgr. Daniel B. Sta. Maria	Former President	2011	10,360.00	-	-
		2012	5,100.00	-	-
		2013	12,240.00	-	-
		2014	3,570.00	-	-
		2015	7,140.00	-	-
		2016	6,120.00	-	-
		2017	7,395.00	-	-
		2018	4,608.00	-	-
		2019	7,560.00	-	-
		2020	3,780.00	-	-
Rev. Fr. Antonio T. Pascual	Director / Chairman	2010	*	-	-
		2011	11,140.00	-	-
		2012	1,020.00	-	-
		2013	5,100.00	-	-
		2014	6,120.00	-	-
		2015	2,550.00	-	-
		2016	1,020.00	-	-
		2017	1,020.00	-	-
		2018	0	-	-
		2019	0	-	-
		2020	1,080.00	-	-
		2021	12,000.00	-	-
		2022	9,000.00	-	-
2023 (estimated)	12,000.00	-	-		
Rev. Fr. Arnel F. Recinto	Former Director	2010	*	-	-
		2011	6,040.00	-	-
		2012	7,650.00	-	-
		2013	9,690.00	-	-
		2014	7,140.00	-	-
		2015	6,120.00	-	-
		2016	8,670.00	-	-
		2017	4,845.00	-	-
		2018	4,608.00	-	-
		2019	7,560.00	-	-
		2020	4,860.00	-	-
		2021	1,080.00	-	-
		2022	9,000.00	-	-
2023	-	-	-		
Rev. Fr. Antonio Labiao	Director/ Treasurer	2010	*	-	-
		2011	3,730.00	-	-
		2012	6,120.00	-	-
		2013	7,650.00	-	-
		2014	6,120.00	-	-
		2015	2,550.00	-	-
		2016	2,550.00	-	-
		2017	0	-	-
		2018	0	-	-
		2019	2,700.00	-	-
		2020	12,000.00	-	-
		2021	0	-	-
		2022	9,000.00	-	-
2023 (estimated)	12,000.00	-	-		
Francisco E. Josef	Former Independent Director	2010	*	-	-
		2011	9,960.00	-	-
		2012	10,200.00	-	-



		2013	7,140.00	-	-
		2014	6,120.00	-	-
		2015	7,140.00	-	-
		2016	5,100.00	-	-
		2017	7,395.00	-	-
		2018	1,908.00	-	-
		2019	7,560.00	-	-
		2020	4,860.00	-	-
		2021	1,080.00	-	-
		-	-	-	-
Carlos R. Alindada	Former Independent Director	2010	*	-	-
		2011	8,590.00	-	-
		2012	11,220.00	-	-
		2013	10,200.00	-	-
		2014	6,120.00	-	-
		2015	5,100.00	-	-
		2016	5,100.00	-	-
		2017	6,120.00	-	-
		2018	2,700.00	-	-
		2019	6,480.00	-	-
		2020	2,700.00	-	-
		2021	1,080.00	-	-
		-	-	-	-
Fr. Orlando B. Cantillon	Director	2010	*	-	-
		2011	0	-	-
		2012	0	-	-
		2013	6,120.00	-	-
		2014	3,570.00	-	-
		2015	2,550.00	-	-
		2016	6,120.00	-	-
		2017	5,100.00	-	-
		2018	2,700.00	-	-
		2019	6,480.00	-	-
		2020	3,780.00	-	-
		2021	-	-	-
		2022	9,000.00	-	-
2023 (estimated)	12,000.00	-	-		
Atty. Sabino B. Padilla IV	Corporate Secretary	2010	*	-	-
		2011	10,770.00	-	-
		2012	11,220.00	-	-
		2013	12,240.00	-	-
		2014	7,140.00	-	-
		2015	7,140.00	-	-
		2016	8,670.00	-	-
		2017	7,395.00	-	-
		2018	4,608.00	-	-
		2019	7,560.00	-	-
		2020	4,860.00	-	-
		2021	1,080.00	-	-
		2022	9,000.00	-	-
2023 (estimated)	12,000.00	-	-		
Ms. Monica Mei C. Young	Independent Director	2022	-	-	-
		2023 (estimated)	12,000.00	-	-
Atty Rene Banez		2022	3,000.00	-	-

	Independent Director	2023 (estimated)	12,000.00	-	-
Bishop Roberto Gaa	Director	2022	3,000.00	-	-
		2023 (estimated)	12,000.00	-	-
Rev Fr. Herbel S. Torres	Director	2022	-	-	-
		2023 (estimated)	12,000.00	-	-

\* Details of the 2010 per diems are unavailable due to the transfer from MIB to BIMI

The members of the Board will receive compensation amounting to P 3,000.00 for every regular meeting and P 1,200.00 for every special meeting attended. 69,180.00, 63,750.00, 81,600.00, 53,460.00, 43,860.00 49,530, 45,390.00, 24,912.00, 52,380.00, 41,700.00, 28,320.00, and 63,000.00 was the total expense for the Board's per diems for the years 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 respectively. An estimate of P120,000.00 in Board of Directors and Officers compensation is to be paid out for 2023. The Board of Directors reserves the right to change the compensation schedule in the future.

There is no other standard or consulting arrangement or any compensatory plan relating to resignation/retirement by which directors and officers are to be compensated other than that previously stated.

The fund has no Compensation Committee.

#### SECURITY OWNERSHIP OF MANAGEMENT

• As of December 31, 2022

Name	Position	No. of Shares	Percentage
Pascual, Antonio Cecilio, Tuason	Director / Chairman	5,000 (beneficial)	0.0072%
Rev. Fr. Lamberto S. Ramos	Director/President	168,395 (record)	0.0000%
Labiao, Antonio Jr. Esparagoza	Director/Treasurer	24,905 (beneficial) (record)	0.0360%
Vergara, Mylo Hubert Claudio	Director	466,302 (beneficial) (record)	0.6746%
Cantillon, Orlando Bartolome	Director	368,380 (beneficial) (record)	0.5330%
Monica Mei C. Young	Independent Director	5,000 (beneficial)	0.0072%
Atty. Rene DG. Banez	Independent Director	5,000 (beneficial)	0.0072%
Rev. Fr. Herbel F. Torres	Director	5,000 (beneficial)	0.0072%
Bishop Roberto O. Gaa	Corporate Secretary	5,000 (beneficial)	0.0072%
Meriza R. De Guzman,	Compliance and Risk Officer	0	0.0000%

#### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The fund has no existing or proposed transaction with any entity which any of its directors, officers or stockholders have material interest in the last two years and will not have any future related transactions.

Also, it has not hired an expert or independent counsel on a contingent basis. There is also no existing voting trust or similar agreement entered into by holders of more than 5% of a class.

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 0.5% p.a. of the Fund's average daily trading NAV in 2021, 2020, 2019, 2018 and 2017.

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 0.25% p.a. based on the outstanding daily balance of the Fund's shares distributed in 2021, 2020, 2019, 2018 and 2017. Such agreements are effective year after year unless terminated by each party. BPI and its thrift bank subsidiary, BPI Family Savings Bank, Inc., act as the receiving banks for the contributions and withdrawals related to the Fund as transacted by the distributors and shareholders.

In November 2016, the Fund terminated its contract with BPI-AMTG and appointed BIMI as its new Investment Advisor.

#### **PART IV - CORPORATE GOVERNANCE**

##### **COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE**

The company continuously evaluates level of compliance of the Board of Directors and top level management with its Manual on Corporate Governance through a self-rating and peer evaluation system complemented by 180 degrees feedback mechanism. To ensure that no deviation is committed from the company's manual; such evaluation is performed at least once every quarter. There has been no deviation from the company's Manual of Corporate Governance as of the date of this report.

#### **PART V - EXHIBITS AND SCHEDULES**

##### **EXHIBITS AND REPORTS ON SEC FORM 17-C**

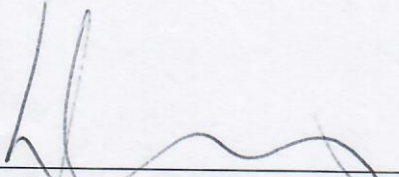
1. Exhibits NONE
2. Reports on SEC Form 17-C

Items Reported	Date Filed
Items taken up and approved during the Regular Board of Directors Meeting held on 24 March 2022	29 March 2022
Items taken up and approved during the Annual Stockholders' Meeting held on 19 December 2022	22 December 2022
Items taken up and approved during the Organizational Meeting of the Board of Directors held on 19 December 2022	22 December 2022


**SIGNATURES**


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati, Philippines on \_\_\_\_\_.

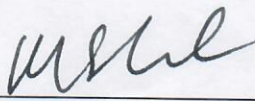
By:

  
\_\_\_\_\_  
**Rev. Fr. Lamberto S. Ramos**  
*President*

  
\_\_\_\_\_  
**Antonio Cecilio T. Pascual**  
*Chairman*

  
\_\_\_\_\_  
**Antonio E. Labiao Jr.**  
*Treasurer*

  
\_\_\_\_\_  
**Atty. Sabino B. Padilla IV**  
*Corporate Secretary*

  
\_\_\_\_\_  
**Roberto Martin S. Enrile**  
*BPI Investment Management, Inc.*  
*Fund Manager*

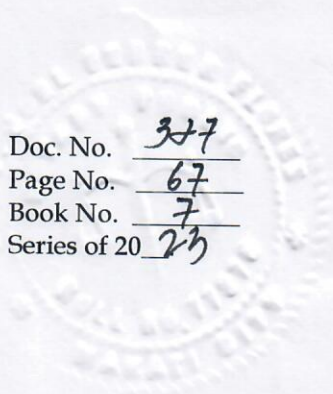
**MAKATI CITY**

**MAY 22 2023**


SUBSCRIBED AND SWORN TO before me this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_, affiants exhibiting to me their Residence Certificates, as follows:

NAMES	Tax Identification No.
Rev. Fr. Lamberto S. Ramos	162-155-270
Antonio Cecilio T. Pascual	209-925-759
Antonio E. Labiao Jr.	236-823-583
Atty. Sabino B. Padilla IV	113-255-561
Roberto Martin S. Enrile	150-097-817

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Book No. 7  
Series of 20 23



**NOTARY PUBLIC**

  
**ATTY. JOEL FERRER FLORES**  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2023 (2023-2024)  
APPOINTMENT NO. M-915  
ROLL NO. 77376 / NICLE (EXEMPT)  
PTR NO. 9563564 / JAN. 03, 2023 / MAKATI CITY  
IBP NO. 261994 / JAN. 03, 2023 / PASIG CITY  
1107 Q, BATAAN ST., GUADALUPE NUEVO, MAKATI CITY



# SOLIDARITAS FUND, INC.

*Solidarity in Stewardship*

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

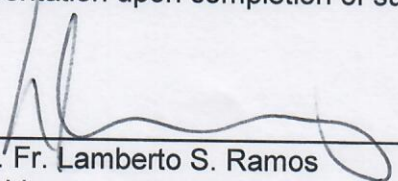
The management of Solidaritas Fund, Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended 31 December 2021 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and 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.

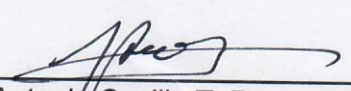
The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SGV & 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.



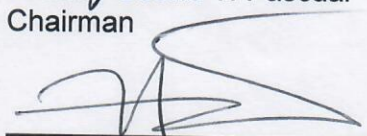
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Rev. Fr. Lamberto S. Ramos  
President



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Antonio Cecilio T. Pascual  
Chairman



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Antonio E. Labiao, Jr.  
Treasurer

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.
Bishop Mylo Hubert C. Vergara, D.D.	240-382-899
Rev. Fr. Orlando B. Cantillon	200-196-584
Rev. Fr. Antonio Cecilio T. Pascual	209-925-759


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.

MAKATI CITY

MAY 22 2023

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

Doc. No. 329  
Page No. 66  
Book No. 7  
Series of 2023

  
ATTY. JOEL FERRER FLORES  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2023 (2023-2024)  
APPOINTMENT NO. M-115  
ROLL NO. 77376 / MCLE (DREMP)  
PTR NO. 9563564 / JAN. 03, 2023 / MAKATI CITY  
IBP NO. 261994 / JAN. 03, 2023 / PASIG CITY  
107 B, BATAAN ST., GUADALUPE NUEVO, MAKATI CITY


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

**TREASURER'S CERTIFICATION**

I, Antonio E. Labiao Jr, of legal age, Filipino and with office address at 19F, BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City, after being sworn in accordance with law, hereby certify under oath that:


1. I am the Treasurer of Solidaritas Fund, Inc. (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under SEC Certificate of Registration No. CS2007-18240 with principal office address at 19F, BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City.
2. The accounts and figures provided in the electronic copy of the Special Form for Financial Statements are based on the contents of the Audited Annual Financial Statements of the Corporation submitted to SEC.
3. I am executing this certification to attest to the truth of the foregoing and in compliance with the reportorial requirements of the SEC.

WITNESS MY HAND on this \_\_\_\_ day of MAY 2 / 2 2023 20\_\_ in Makati City.

  
Antonio E. Labiao Jr.  
Treasurer

SUBSCRIBED AND SWORN to before me on this MAY 2 / 2 2023 day of MAKATI CITY at \_\_\_\_\_. Affiant exhibited to me his Tax Identification No. 236-823-583.

Doc. No. 325 :  
Page No. 66 :  
Book No. 7 :  
Series of 2023

  
ATTY. JOEL FERRER FLORES  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2023 (2023-2024)  
APPOINTMENT NO. M-115  
ROLL NO. 77376 / MCLE (EXEMPT)  
PTR NO. 956356-4 / JAN. 03, 2023 / MAKATI CITY  
IBP NO. 261994 / JAN. 03, 2023 / PASIG CITY  
1107 D. BATAAN ST., GUADALUPE NUEVO, MAKATI CITY

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

**TREASURER'S CERTIFICATION**

I, Antonio E. Labiao Jr. of legal age, Filipino and with office address at 19F, BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City, after being sworn in accordance with law, hereby certify that:


1. I am the Treasurer of Solidaritas Fund, Inc. (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under SEC Certificate of Registration No. CS2007-18240 with principal office address at 19F, BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City.
2. The Financial Statement ("F/S") CD submitted contains the exact data stated in the hard copies of the F/S of the Corporation.
3. I am executing this certification to attest to the truth of the foregoing and in compliance with the reportorial requirements of the SEC.

WITNESS MY HAND on this **MAY 2 2 2023** day of \_\_\_\_\_ 20\_\_ in Makati City.

  
Antonio E. Labiao Jr.  
Treasurer

SUBSCRIBED AND SWORN to before me on this **MAY 2 2 2023** day of \_\_\_\_\_ at \_\_\_\_\_. Affiant exhibited to me his Tax Identification No. 236-823-583.

Doc. No. 326 :  
Page No. 67 :  
Book No. 7 :  
Series of 2022

  
**ATTY. JOEL FLORER FLORES**  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2023 (2023-2024)  
APPOINTMENT NO. M-115  
ROLL NO. 77376 / MCLE (EXEMPT)  
PTR NO. 9563564 / JAN. 03, 2023 / MAKATI CITY  
IBP NO. 261994 / JAN. 03, 2023 / PASIG CITY  
1107 D, BATAAN ST., GUADALUPE NUEVO, MAKATI CITY



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**Sent:** Friday, 26 May 2023 4:56 pm  
**To:** Paula Bianca P. Jabay <pbpjabay@bpi.com.ph>  
**Cc:** PBPJABAY.BIMI@GMAIL.COM <PBPJABAY.BIMI@GMAIL.COM>  
**Subject:** Your BIR AFS eSubmission uploads were received

Hi BAHAY PARI SOLIDARITAS FUND INC.,

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## **INDEPENDENT AUDITOR'S REPORT**

The Board of Directors and Stockholders  
Solidaritas Fund, Inc.  
19<sup>th</sup> Floor, BPI Buendia Center,  
Gil Puyat Ave., Makati City

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Solidaritas Fund, Inc. (an Open-End Investment Company) (the "Fund"), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 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 (PFRSs).

#### **Basis for Opinion**

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **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.



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 PSAs 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.

As part of an audit in accordance with PSAs, 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.



**Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 18 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Solidaritas Fund, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

*Redginald G. Radam*

Redginald G. Radam  
Partner

CPA Certificate No. 118866

Tax Identification No. 249-000-259

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 118866-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-141-2021, April 27, 2021, valid until April 26, 2024

PTR No. 9564682, January 3, 2023, Makati City

May 25, 2023



**SOLIDARITAS FUND, INC.** (formerly *Bahay Pari Solidaritas Fund Inc.*)  
**(An Open-End Investment Company)**

**STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2022</b>	2021
<b>ASSETS</b>		
Cash and cash equivalents (Note 6)	<b>₱8,768,996</b>	₱3,911,664
Financial assets at fair value through profit or loss (Note 7)	<b>85,728,334</b>	99,646,370
Receivables (Note 8)	<b>1,595,067</b>	417,188
Investment securities at amortized cost (Note 9)	<b>43,566,455</b>	45,000,000
<b>TOTAL ASSETS</b>	<b>₱139,658,852</b>	₱148,975,222
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses (Note 10)	<b>₱2,348,656</b>	₱707,726
<b>EQUITY</b>		
Capital stock (Note 12)	<b>₱69,119,453</b>	71,020,276
Additional paid-in capital	<b>48,380,756</b>	49,082,701
Retained earnings	<b>19,809,987</b>	28,164,519
	<b>₱137,310,196</b>	148,267,496
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱139,658,852</b>	₱148,975,222
<b>Net Asset Value Per Share</b> (Note 12)	<b>₱1.9866</b>	₱2.0877

*See accompanying Notes to Financial Statements.*



**SOLIDARITAS FUND, INC.** (formerly Bahay Pari Solidaritas Fund Inc.)  
**(An Open-End Investment Company)**

**STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Years Ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>INVESTMENT INCOME</b>			
Trading (loss) on financial assets at FVTPL - net (Note 7)	<b>(₱7,091,692)</b>	(₱735,012)	(₱3,333,266)
Dividend income (Note 7)	<b>1,783,773</b>	2,280,764	2,034,243
Interest income (Note 13)	<b>1,830,564</b>	1,900,182	2,646,159
Gain (loss) on foreign exchange – net (Note 6)	<b>12,491</b>	(397,251)	235,497
Miscellaneous	–	–	196
	<b>(3,464,864)</b>	3,048,683	1,582,829
<b>EXPENSES</b>			
Management and professional fees (Note 15)	<b>2,917,043</b>	3,255,768	3,178,572
Taxes and licenses	<b>46,903</b>	30,771	75,964
Directors' fees (Note 15)	<b>34,155</b>	4,320	33,000
Miscellaneous	<b>319,697</b>	111,008	249,745
	<b>3,317,798</b>	3,401,867	3,537,281
<b>INVESTMENT INCOME (LOSS) BEFORE TAX</b>	<b>(6,782,662)</b>	(353,184)	(1,954,452)
<b>PROVISION FOR INCOME TAX</b> (Note 14)	<b>277,785</b>	309,421	336,309
<b>TOTAL COMPREHENSIVE INCOME (LOSS)*</b>	<b>(7,060,447)</b>	(₱662,605)	(₱2,290,761)
<b>Basic Loss per Share</b> (Note 16)	<b>(₱0.1021)</b>	(₱0.0093)	(₱0.0306)

\*The Fund has no other comprehensive income items.  
See accompanying Notes to Financial Statements.





**SOLIDARITAS FUND, INC.** (formerly Bahay Pari Solidaritas Fund Inc.)  
(An Open-End Investment Company)

**STATEMENTS OF CHANGES IN EQUITY**

	Number of Shares Outstanding (Note 12)	Capital Stock (Note 12)	Additional Paid-in Capital	Retained Earnings	Total Equity
Balances at January 1, 2022	71,020,276	₱71,020,276	₱49,082,701	₱28,164,519	₱148,267,496
Shares issued during the year	1,822,955	1,822,955	1,885,392	—	3,708,347
Shares redeemed during the year	(3,723,778)	(3,723,778)	(2,587,336)	(1,294,084)	(7,605,197)
Total comprehensive loss	—	—	—	(7,060,447)	(7,060,448)
Balances at December 31, 2022	69,119,453	₱69,119,453	₱48,350,757	₱19,809,988	₱137,310,198
Balances at January 1, 2021	74,239,693	₱74,239,693	₱51,178,404	₱29,825,829	₱155,243,926
Shares issued during the year	322,608	322,608	348,992	—	671,600
Shares redeemed during the year	(3,542,025)	(3,542,025)	(2,444,695)	(998,705)	(6,985,425)
Total comprehensive loss	—	—	—	(662,605)	(662,605)
Balances at December 31, 2021	71,020,276	₱71,020,276	₱49,082,701	₱28,164,519	₱148,267,496
Balances at January 1, 2020	76,157,920	₱76,157,920	₱51,305,887	₱34,153,856	₱161,617,663
Shares issued during the year	3,127,594	3,127,594	3,301,596	—	6,429,190
Shares redeemed during the year	(5,045,821)	(5,045,821)	(3,429,079)	(2,037,266)	(10,512,166)
Total comprehensive loss	—	—	—	(2,290,761)	(2,290,761)
Balances at December 31, 2020	74,239,693	₱74,239,693	₱51,178,404	₱29,825,829	₱155,243,926

See accompanying Notes to Financial Statements.



**SOLIDARITAS FUND, INC. (formerly Bahay Pari Solidaritas Fund Inc.)**  
**(An Open-End Investment Company)**

**STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Investment income (loss) before tax	(₱6,782,662)	(₱353,184)	(₱1,954,452)
Adjustments for:			
Unrealized (gain) loss on financial assets at FVTPL— net (Note 7)	1,900,270	(1,061,770)	(965,000)
Amortization of premium on investment securities at amortized cost	(4)	77	9,355
Changes in operating assets and liabilities:			
Decrease (increase) in the amounts of:			
Financial assets at FVTPL	12,017,766	10,592,601	(8,400,696)
Receivables	(1,177,879)	754,678	(754,109)
Increase (decrease) in accounts payable and accrued expenses	1,640,930	172,193	(83,242)
Net cash generated from (used in) operations	7,598,421	10,104,595	(12,148,144)
Income taxes paid	(277,785)	(309,421)	(336,309)
Net cash provided by (used in) operating activities	7,320,636	9,795,174	(12,484,453)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from:			
Maturity of investment in securities at amortized cost (Note 9)	35,000,000	23,999,922	28,192,000
Acquisition of:			
Investment in securities at amortized cost (Note 9)	(33,566,454)	(25,000,000)	(24,000,000)
Net cash provided by (used in) investing activities	1,433,546	(1,000,078)	4,192,000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments for share redemptions	(7,605,197)	(6,985,425)	(10,512,166)
Proceeds from share issuances	3,708,347	671,600	6,429,190
Net cash used in financing activities	(3,896,850)	(6,313,825)	(4,082,976)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>4,857,332</b>	<b>2,481,271</b>	<b>(12,375,429)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>3,911,664</b>	<b>1,430,393</b>	<b>13,805,822</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>₱8,768,996</b>	<b>₱3,911,664</b>	<b>₱1,430,393</b>
<b>OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS</b>			
Dividends received from equity securities	₱1,785,528	₱2,281,663	₱2,034,243
Interest received	1,865,608	1,898,652	2,840,142

See accompanying Notes to Financial Statements.



**SOLIDARITAS FUND, INC. (formerly Bahay Pari Solidaritas Fund Inc.)**  
**(An Open-End Investment Company)**

**NOTES TO FINANCIAL STATEMENTS**

---

**1. Corporate Information**

Solidaritas Fund, Inc. (the "Fund") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on March 10, 2008 as an open-end investment company (or "Mutual Fund") under the Philippine Investment Company Act. The corporate term for which the fund is to exist is 50 years from and after the date of its incorporation. The Fund is engaged in selling its shares to the public and investing the proceeds in a mix of high-quality debt and equity securities such as bonds, commercial papers and other money market instruments, and common and preferred shares. As an open-end investment company, it stands ready at any time to redeem its outstanding capital stock at net asset value (NAV) per share. The Fund subsequently commenced its operations on March 25, 2008.

On July 17, 2017, the Fund's Board of Directors (BOD) and shareholders approved an amendment in the Articles of Incorporation to change the Fund's name from Bahay Pari Solidaritas Fund, Inc. to Solidaritas Fund, Inc.

The SEC approved the change in company name on April 13, 2018.

The investment objective of the Fund is to provide long-term capital appreciation through investments in a diversified portfolio of equity and fixed-income securities. BPI Investment Management, Inc. (BIMI) employs an active management strategy for the Fund. To achieve returns that are aimed to outperform the chosen benchmark, BIMI adopts active stock selection, asset allocation and market timing strategies.

The Fund's principal place of business is located at 19<sup>th</sup> Floor, BPI Buendia Center, Sen Gil Puyat Ave., Makati City.

The accompanying financial statements were authorized for issue by the Board of Directors (BOD) on May 25, 2023.

**2. Summary of Significant Accounting Policies**

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), which have been measured at fair value. The financial statements are presented in Philippine Peso (₱ or "PHP" or "Peso"), the Fund's functional currency. The amounts in the financial statements are rounded off to the nearest peso, unless otherwise stated.

Statement of Compliance

The accompanying financial statements of the Fund have been prepared in accordance with Philippine Financial Reporting Standards (PFRSS).



### New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Fund.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*



The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

#### Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Fund intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the financial statements.

##### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

##### *Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

##### *Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

##### *Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*



## **Significant Accounting Policies**

### Cash and Cash Equivalents

Cash includes cash in bank. Cash equivalents are short-term, highly liquid placements that are readily convertible to known amounts of cash and with original maturities of three months or less from dates of placement and which are subject to an insignificant risk of changes in value.

### Financial Instruments

#### *Date of recognition*

The Fund recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

#### *Initial recognition of financial instruments*

All financial instruments are initially recognized at fair value. Except for financial assets and liabilities at FVTPL, the initial measurement of financial assets and liabilities includes transaction costs.

#### *Determination of fair value*

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions (that is, an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (that is, using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (that is, discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable



For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each statement of financial position date.

*'Day 1' difference*

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Fund recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Fund determines the appropriate method of recognizing the 'Day 1' difference amount.

*Classification and Subsequent Measurement of financial instruments*

*Classification of financial assets*

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Fund's business model for managing financial assets. The Fund classifies its financial assets into the following categories: financial assets at FVTPL, financial assets at fair value through other comprehensive income (FVOCI) and financial assets measured at amortized cost.

*Contractual cash flows characteristics*

The Fund assesses whether the cash flows from the financial asset represent solely payment of principal and interest (SPPI) on the principal amount outstanding. Instruments with cash flows that do not represent as such are classified at FVTPL.

In making this assessment, the Fund determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

*Business model*

The Fund's business model does not depend on management's intentions for an individual instrument, rather it refers to how it manages its group of financial assets in order to generate cash flows (i.e. collecting contractual cash flows, selling financial assets or both).

Relevant factors considered by the Fund in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Fund's key management personnel. The Fund also considers the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers, if any, of the business are compensated.

As of December 31, 2022 and 2021, the Fund has no financial assets at FVOCI.



*Financial assets at FVTPL*

Debt financial assets that do not meet the amortized cost criteria, or that meet the criteria but the Fund has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss.

Equity investments are classified as at FVTPL, unless the Fund designates an investment that is not held for trading as at FVOCI at initial recognition.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Fund manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

The Fund's financial assets at FVTPL include equity securities held for trading purposes and Investment in mutual funds.

Financial assets at FVTPL are recorded in the statement of financial position at fair value, with changes in the fair value included under the 'Unrealized gain (loss) on financial assets at FVTPL-net' account in profit or loss in the statement of comprehensive income. Interest earned is reported in the profit or loss under 'Interest income' while dividend income is reported in profit or loss in the statement of comprehensive income under 'Dividend income' when the right to receive payment has been established.

*Financial assets at amortized cost*

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

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

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are integral part of the EIR. The amortization is included in 'Interest income' in profit or loss in the statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset. The Fund's financial assets at amortized cost consist of 'Cash and cash equivalents', 'Receivables', and 'Investment securities at amortized cost'.

*Reclassifications of financial instruments*

The Fund reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Fund and any previously recognized gains, losses or interest shall not be restated.





*Financial liabilities at amortized cost*

Issued financial instruments or their components, which are not designated at FVTPL, are classified as financial liabilities at amortized cost. After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR method.

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. This policy applies to 'Accounts payable and other accrued expenses' of the Fund.

As of December 31, 2022 and 2021, the Fund has no financial liabilities at FVTPL.

Derecognition of Financial Assets and Liabilities

*Financial asset*

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Fund has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control over the asset.

Where the Fund has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Fund's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

*Financial liability*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

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 the statement of comprehensive income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Fund assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event.



### Impairment of Financial Assets

#### *Expected credit loss*

PFRS 9 requires the Fund to record expected credit losses (ECL) for all receivables and other debt financial assets not classified as FVTPL, together with loan commitments and financial guarantee contracts.

#### *Expected credit loss methodology*

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of the financial asset.

#### *Definition of default*

Generally, the Fund defines a financial asset as in default for purposes of calculating ECL when the contractual payments are past due for more than 30 days. As part of the qualitative assessment, the Fund also considers a variety of instances that may indicate unlikelihood to pay to determine if a counterparty has defaulted.

#### *SICR*

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Fund's aging information, the borrower becomes past due for over 30 days. Further, the Fund assumes that the credit risk of a financial asset, particularly on cash and equivalents, short-term investments and investment securities at amortized cost, has not increased significantly since origination if the financial asset is determined to have "low credit risk" as of the reporting date. A financial asset is considered "low credit risk" when it has an external rating equivalent to "investment grade".

In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Fund shall revert to recognizing a 12-month ECL.

#### *Staging assessment*

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired debt financial assets which have not experienced a SICR since initial recognition. The criteria for determining whether a debt financial asset should be assessed under stage 1 are as follows: (i) borrower risk rating (BRR) is within the range of 1.1-6.2 based on the Fund's internal credit rating (i.e., equivalent to investment grade) as of reporting period; or (ii) external credit rating is investment grade as of cut-off date. The Fund recognizes a 12-month ECL for Stage 1 debt financial assets.
- Stage 2 is comprised of all non-impaired debt financial assets which have experienced a SICR since initial recognition. A SICR is generally deemed present in debt financial assets when: (i) their credit ratings have been migrated to BRR of 6.3 that is based on the Fund's internal credit rating (i.e., equivalent to non-investment grade); or (ii) their external credit rating has downgraded to non-investment grade as of cut-off date. The Fund recognizes a lifetime ECL for Stage 2 debt financial assets.



For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment.

*ECL parameters and methodologies*

For financial assets such as 'Cash and cash equivalents', receivables and private debt securities classified under 'Investment securities at amortized cost', the Fund applied the general approach in measuring ECL that considers assessment of significant increase in credit risk and adjustments for forward-looking information.

*Forward looking information*

A range of economic overlays are considered and expert credit judgment is applied in determining the forward-looking inputs to the ECL calculation. A broad range of forward-looking information are considered as economic outputs such as G20 Real Gross Domestic Product (GDP), USD Treasury Rates, DXY Dollar Index and CitiWorld Global Index. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

*Write-off policy*

The Fund writes off its financial assets when it has been established that all efforts to collect and/or recover the loss has been exhausted. This may include the other party being insolvent, deceased or the obligation being unenforceable.

Revenue Recognition (under PFRS 15)

The Fund is primarily engaged in selling its shares to the public and investing the proceeds in a mix of high-quality debt and equity securities such as bonds, commercial papers and other money market instruments, and common and preferred shares.

To account for the revenues arising from contracts with customers, the Fund applies the following five step model:

- a. Identify the contract(s) with a customer
- b. Identify the performance obligations in the contract
- c. Determine the transaction price
- d. Allocate the transaction price to the performance obligations in the contract
- e. Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Fund expects to be entitled in exchange for those goods or services. The Fund has generally concluded that it is the principal in its revenue arrangements.

Revenue Recognition (outside the scope of PFRS 15)

*Trading gain (loss) on financial assets at FVTPL - net*

'Trading gain (loss) on financial assets at FVTPL- net' represent results arising from trading activities including all gains and losses from changes in fair value and disposals of financial assets at FVTPL.

*Dividend income*

Dividend income is recognized when the Fund's right to receive payment is established.

*Interest income*



Interest income is recognized in profit or loss in the statement of comprehensive income as it accrues, taking into account the effective yield of the asset. Interest income includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an EIR basis.

#### Expense Recognition

Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized when incurred.

#### Income Taxes

##### *Current taxes*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. Tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the statement of financial position date.

Effective January 1, 2019, the Fund periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

##### *Deferred taxes*

Deferred tax is provided, using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and carryforward of unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rate applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Current tax and deferred tax relating to items recognized directly in equity are recognized directly in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same tax authority.

#### Net Asset Value (NAV) per Share

NAV per share is computed by dividing net assets (total assets less total liabilities) by the total number of outstanding redeemable shares as of the statement of financial position date.



#### Capital Stock Transaction

The Fund's redeemable shares have the following features, which qualify them as puttable instruments classified as equity instruments:

- The shares entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The shares are in the class of instruments that is subordinate to all other classes of instruments.
- All shares in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's right to a pro rata share of the Fund's net assets.
- The total expected cash flows attributable to the shares over their life are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

Further, the Fund does not have other financial instruments or contracts that have:

- Total cash flows based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund; and
- The effect of substantially restricting or fixing the residual return to the puttable instruments' holders.

The Fund continuously assesses the classification of the redeemable shares. If the redeemable shares cease to have all the features or meet the conditions stated above, the Fund will reclassify the shares as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognized in equity. If the redeemable shares subsequently have all the features and meet the above conditions, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of reclassification.

The issuance, acquisition and resale of redeemable shares are accounted for as equity transactions. Upon issuance of shares (or sale of treasury shares), the consideration received is included in equity. Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale or issuance or cancellation of the Fund's own equity instruments. Redemptions are recorded as charges against equity.

Transaction costs incurred by the Fund in issuing, acquiring or selling its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

#### Retained earnings

The amounts in retained earnings include accumulated investment income of previous periods reduced by excess of redemption cost over the original selling price of redeemed shares.

#### Dividend Distribution

Dividend distributions are at the discretion of the Fund. A dividend distribution to the Fund's shareholders is accounted for as a deduction from retained earnings. A proposed dividend is recognized as a liability in the period in which it is approved by the shareholders.



Earnings per Share (EPS)

Basic EPS is calculated by dividing the net investment income by the weighted average number of shares outstanding during the period after giving retroactive effect to stock dividends declared and stock rights exercised during the period, if any. The Fund does not have dilutive potential common shares.

Provisions

Provisions are recognized when the Fund has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingencies

Contingent assets are not recognized but are disclosed in the notes to financial statements when an inflow of economic benefits is probable. Contingent liabilities are not recognized in the financial statements, but are disclosed in the notes to financial statements, unless the possibility of an outflow of resources embodying benefits is remote.

Events after the Reporting Period

Post year-end events that provide additional information about the Fund's financial position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post year-end events that are non-adjusting events, if any, are disclosed in the notes to financial statements when material.

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**3. Significant Judgment and Estimate**

As of December 31, 2022 and 2021, the preparation of the Fund's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates 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. As of December 31, 2022 and 2021, the Fund has not made significant estimates in the preparation of the financial statements.

Judgments

In the process of applying Fund's accounting policies, the Fund has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

*a. Testing the cash flow characteristics of financial assets*

In determining the classification of financial assets under PFRS 9, the Fund assesses whether the contractual terms (e.g., substance of prepayment option, variability of interest, substance of extension option, etc.) of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding, other basic lending risks and costs as well as profit margin.

*b. Evaluation of business model in managing financial instruments*

The Fund developed business models which reflect how it manages its portfolio of financial instruments. The Fund's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that



are managed together by the Fund) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Fund evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Fund.

*c. Classification of shares as equity or liability*

The Fund continuously assesses whether all of the conditions indicated in its accounting policy on Capital Stock and Redeemable Shares (Note 2) are met by the redeemable shares it issues to retain the classification of the shares as equity instruments.

In applying its judgment, management considers the rights and claims of each shareholder embedded in the shares issued, the type and features of issued shares including the terms of any contractual obligation, and the basis for the cash flows attributable to the entirety of the term of the shares.

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#### 4. Financial Risk Management Objectives and Policies

The Fund's activities are exposed to a variety of financial risks: credit risk, liquidity risk, and market risk, which includes currency risk, fair value interest rate risk, price risk and cash flow interest rate 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 Fund is exposed to financial risks through its financial instruments. The principal financial assets of the Fund are cash and cash equivalents, short-term investments, financial assets at FVTPL, receivables and investment securities at amortized cost. These risks arise from open positions in interest rate and equity products, all of which are exposed to general and specific market movements.

##### Nature of Risks and Risk Management Objectives and Policies

The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects of such unpredictability on the Fund's financial performance.

The Fund is governed by the provisions in its prospectus that incorporates relevant investment rules and regulations by regulators such as the Investment Company Act (ICA) and the SEC, among others.

Specifically, the Fund primarily invests in equity securities, however, as a tactical move, a portion of the Fund may also be invested in government securities and in SEC-registered commercial papers but taking precautions of the market conditions, the level of interest rates, and of liquidity needs.

Moreover, the Fund's investment activities are also guided by the following limits/conditions:

- Under ICA Rule 35-1, the maximum investment in any single enterprise shall not exceed an amount equivalent to fifteen percent (15.00%) of the Fund's NAV except obligations of the Philippine Government and its instrumentalities, nor shall the total investment of the Fund exceed ten percent (10.00%) of the outstanding securities of any one investee company.
- Investments to margin purchases of securities, commodity futures contracts, precious metals, unlimited liability instruments, and short selling of currencies and securities are not allowed.
- The Fund shall not incur any further debt or borrowing unless at the time of its incurrence or immediately thereafter there is an asset coverage of at least three hundred percent (300.00%) for



all borrowings of the Fund. Provided, however, that in the event that such asset coverage shall at any time fall below three hundred percent (300.00%), the Fund shall within three (3) days thereafter, reduce the amount of its borrowings to an extent that the asset coverage of such borrowings shall be at least three hundred percent (300.00%).

- The Fund shall not purchase from, or sell to any of its officers or directors or the officers or directors of its Fund Manager, their managers or distributors or firms of which any of them are members, any security other than those of the Fund's own capital stock.

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. This includes the risk that the Fund's investment in government and private debt securities will decline as the bond issuer may not be able to pay its debt upon interest payments and maturity.

#### *Maximum exposure to credit risk*

The Fund trades only with recognized, creditworthy third parties and monitors the creditworthiness of these counterparties by reviewing their credit ratings and financial statements on a regular basis. The Fund's maximum exposure to credit risk, without taking into account any collateral held or other credit enhancements, equals the carrying values of financial assets.

#### *Risk concentration of the maximum exposure to credit risk.*

The Fund monitors concentration of counterparty credit risk by industry. An analysis of concentrations of credit risk at the statement of financial position date is shown below:

	Cash and cash equivalents	Receivables	Investment securities at amortized cost	Total
Financial intermediaries	₱8,768,996	₱122,134	₱10,600,000	19,491,131
Government	—	29,028	—	21,995,482
Energy	—	98,588	10,000,000	10,098,588
Holding firm	—	573,775	1,000,000	1,573,775
Property	—	27,889	4,900,000	
Retail	—	762,087	—	762,088
Services	—	—	—	
Transportation	—	—	—	
Food & Beverages	—	9,456	—	9,456
	<b>8,768,996</b>	<b>1,595,067</b>	<b>43,566,455</b>	<b>53,930,518</b>

\*Excluding financial assets at FVTPL

	2021			
	Cash and cash equivalents	Receivables	Investment securities at amortized cost	Total
Financial intermediaries	₱3,911,664	₱132,255	₱35,000,000	₱39,043,919
Energy	—	156,366	10,000,000	10,156,366
Holding firm	—	81,635	—	81,635
Property	—	46,932	—	46,932
	<b>₱3,911,664</b>	<b>₱417,188</b>	<b>₱45,000,000</b>	<b>₱49,328,852</b>

\*Excluding financial assets at FVTPL

Credit risk is likewise minimized through diversification or by investing in a variety of investments belonging to different sectors or industries. A credit analysis is a standard operational procedure in order to assess the credit quality and the credit worthiness of the counterparty. Transactions may also





be structured to include collateralization or various credit enhancements when necessary. Credit exposures are closely monitored so as to ensure that payments are made on time. No collateral was held against investment securities as of December 31, 2022 and 2021.

The Fund adopted the internal credit rating process of its Investment Advisor, BIMi, in assessing the credit quality of the Fund's investments. In addition, BIMi considers credit ratings by other agencies such as Standard & Poors, and Moody's and Fitch. The Fund Manager reviews the credit ratings and ensures that assets are of high quality to minimize this type of risk. Investments undergo a strict approval process especially for corporate issues.

Presented below is the mapping of the credit risk rating from external rating agencies to the Fund's internal risk rating for investment securities:

Agency	Prime	High Grade			Upper Medium Grade			Low Medium Grade		
S&P	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
Moody's	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
Fitch	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
PhilRatings	AAA	Aa+	Aa	Aa-	A+	A	A-	Baa+	Baa	Baa-

Agency	Non-investment Grade Speculative			Substandard Grade			Substantial Risk to In default		
S&P	BB+	BB	BB-	B+	B	B-	Below B-		
Moody's	Ba1	Ba2	Ba3	B1	B2	B3	Below B3		
Fitch	BB+	BB	BB-	B+	B	B-	Below B-		
PhilRatings	Ba+	Ba	Ba-	B+	B	B-	Below B-		

The tables below show the credit quality by class of financial assets of the Fund:

	2022						Total
	Prime	High grade	Upper Medium Grade	Low Medium Grade	Unrated		
Cash and cash equivalents	P-	P	P-	P8,768,996	P-	P8,768,996	
Receivables	620,855	61,465	-	122,134	790,612		1,595,066
Financial Assets at FVTPL							
Investment securities at amortized cost	11,000,000		-	10,600,000	21,966,454		43,566,455
	P11,620,855	P61,465	P-	P19,491,130	P22,757,06	6	53,930,516

	2021						Total
	Prime	High grade	Upper Medium Grade	Low Medium Grade	Unrated		
Cash and cash equivalents	P-	P-	P-	P3,911,664	P-	P3,911,664	
Receivables	232,846	126,564	-	57,778	-		417,188
Investment securities at amortized cost	10,000,000	25,000,000	-	10,000,000	-		45,000,000
	P10,232,846	P25,126,564	P-	P13,969,442	P-		P49,328,852

The internal credit rating ranges from '1' to '10', with '1' being the highest. An internal credit rating of '1' means that there is a low probability of going into default in the coming year, high degree of stability and diversity. Cash and cash equivalents and accrued interest receivable are considered low-risk investments since counterparties of the Fund as of December 31, 2022 and 2021 are limited only to banks in the Philippines with good standing. All financial assets above are assessed as Stage 1 financial assets.

#### Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with the financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated. This risk also includes the risk that the investments of the Fund cannot be sold or converted into cash within a reasonable time or in instances where sale or conversion is possible but not at a fair price.



To mitigate this risk, the Fund observes existing rules and regulations related to maintaining a certain percentage of the Fund's assets in liquid assets.

The Fund's policy prescribes that at least ten percent (10.00%) of its total assets is invested in any of the following:

- Treasury notes or bills, Bangko Sentral ng Pilipinas (BSP) Certificates of Indebtedness which are short-term, and other government securities or bonds and such other evidences of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines.
- Savings or time deposits with government-owned banks or commercial banks; provided that in no case shall any such savings or time deposits account be accepted or allowed under a 'bearer', 'numbered' account or other similar arrangement.

The Fund shall submit a liquidity contingency plan to the SEC before it implements a decrease investment of less than ten percent (10%) but not less than five percent (5%) in liquid/ semi- liquid assets. The Fund is also exposed to daily cash redemptions of its redeemable shares. It therefore invests majority of its assets in investments that are traded in an active market and can be readily disposed of. Further, payment for shares so redeemed shall be credited to the shareholder's settlement account with the receiving bank within seven (7) business days reckoned from the date the redemption request is received by the Fund. Due to the inherent nature of the Fund, however, where redemptions are funded by selling equity investments held by the Fund, there may be instances when the Fund may take longer to credit the proceeds of the redemptions especially in the absence of a liquid trading market for such index shares.

The Fund may suspend redemption or postpone the date of payment for redemptions in such cases when (i) normal trading is suspended on the Philippine Stock Exchange (PSE), or (ii) with the consent of the SEC. The Fund, however, shall not suspend the right of redemption or not postpone the date of payment or satisfaction upon redemption of any redeemable security for more than 7 banking days after the tender of such security to the Fund, except in the following cases:

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

#### *Financial assets*

Analysis of financial assets at FVTPL into maturity groupings is based on the expected date on which these assets will be realized. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the statement of financial position date to the contractual maturity date.

#### *Financial liabilities*

The maturity grouping is based on the remaining period from the end of the statement of financial reporting date to the contractual maturity date. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund can be required to pay.



The following tables show the maturity profile of the financial instruments, based on contractual undiscounted cash flows:

	2022						Total
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
<b>Financial assets</b>							
Cash and cash equivalents	₱156,115	₱8,612,881	₱-	₱-	₱-	₱-	₱8,768,996
<b>Financial assets at FVTPL:</b>							
Quoted equity securities	82,546,963	-	-	-	-	-	82,546,963
Investments in mutual funds	3,181,371	-	-	-	-	-	3,181,371
Receivables	-	1,595,067	-	-	-	-	1,595,067
<b>Investment securities at amortized cost</b>							
Government Securities		1,997,712				19,968,742	21,966,454
Private Securities*		76,279	341,266	626,105	312,732	21,737,255	23,093,637
	₱85,884,449	₱12,281,939	₱341,266	₱626,105	₱312,732	₱41,705,997	₱141,152,488
<b>Financial liabilities</b>							
Accounts payable and accrued expenses	₱2,322,258	-	-	-	-	-	₱2,322,258
<i>*Includes future interest</i>							

	2021						Total
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
<b>Financial assets</b>							
Cash and cash equivalents*	₱311,664	₱3,600,022	₱-	₱-	₱-	₱-	₱3,911,686
<b>Financial assets at FVTPL:</b>							
Quoted equity securities	90,062,660	-	-	-	-	-	90,062,660
Investments in mutual funds	9,583,710	-	-	-	-	-	9,583,710
Receivables	-	417,188	-	-	-	-	417,188
<b>Investment securities at amortized cost*</b>							
	-	25,116,311	221,366	219,199	10,312,732	10,762,719	46,632,327
	₱99,958,034	₱29,133,521	₱221,366	₱219,199	₱10,312,732	₱10,762,719	₱150,607,571
<b>Financial liabilities</b>							
Accounts payable and accrued expenses	₱669,762	₱-	₱-	₱-	₱-	₱-	₱669,763
<i>*Includes future interest</i>							

### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, foreign currency risk and other price risk, such as equity risk.

To properly manage price risk, various risk management methodologies are utilized to quantify the potential changes in the portfolio resulting from changes in security prices. Risk is, then, monitored and controlled through the establishment of equity exposure limits and tracking error. Investment portfolios are also subject to price risk stress testing on a periodic basis.

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund monitors exchange rates, and any trends and changes. Measures are adopted by the Fund to protect its financial assets and financial liabilities in the event there would be significant fluctuations in exchange rates. The Fund's exposure to the risk of changes in foreign exchange rates relates primarily to each entity's financial instruments denominated in currencies other than its functional currency. The Fund's foreign exchange risk results from movements of the PHP against the United States Dollar (\$) or "USD" of its financial assets and liabilities.

The closing rates used are as follows:

	2022	2021
PHP : USD	55.755	50.999



The Fund's exposure to foreign exchange risk as of December 31, 2022 and 2021 relates to its USD denominate cash in bank amounting to \$811 and \$3,664 respectively.

The following table demonstrates the sensitivity to a possible change in the PHP to USD with all variables held constant, of the Fund's income before tax (due to change in the fair value of monetary assets and liabilities):

Effect on income before tax USD	2022		2021	
	+9%	-9%	+1%	-1%
	₱4,070	(₱4,070)	₱1,869	(₱1,869)

The positive change pertains to the depreciation of PHP against USD and the negative change pertains to the appreciation of PHP against USD.

*Equity price risk*

The Fund's equity price risk emanates from its securities in proprietary account which are financial assets classified as at FVTPL in 2022 and 2021, respectively. The Fund measures the sensitivity of its investment securities by using PSE index (PSEi) fluctuations.

The impact of the reasonably possible changes in the PSEi on the Fund's income before income tax is as follows (amounts in millions):

	2022		2021	
	Percentage increase/decrease in PSEi	Effect on income before income tax	Percentage increase/decrease in PSEi	Effect on income before income tax
Increase	+14.98%	₱12.36	+18.63%	₱16.12
Decrease	-14.98%	(12.36)	-18.63%	(16.12)

## 5. Fair Value Measurement

As of December 31, 2022 and 2021, the carrying value of the Fund's financial assets and liabilities as reflected in the statements of financial position and related notes approximate their fair values as of the statement of financial position date except investment securities at amortized cost.

The following tables summarize the carrying amount and fair values of financial assets by level of fair value hierarchy of the Fund's financial assets that are measured at fair value and those for which fair values are required to be disclosed:

	2022				Total
	Carrying Values	Level 1	Level 2	Level 3	
<b>Assets measured at fair value</b>					
Financial assets at FVTPL					
Quoted equity securities	₱82,546,963	₱82,546,963	₱-	₱-	₱82,546,963
Investment in mutual funds	3,181,371	-	3,181,371	-	3,181,371
<b>Assets where fair value is disclosed</b>					
Investment securities at amortized cost	43,566,455	43,672,473	-	-	43,672,473
	₱129,294,789	₱126,219,436	₱3,181,371	₱-	₱129,400,807



	Carrying Values	2021			Total
		Level 1	Level 2	Level 3	
Assets measured at fair value					
Financial assets at FVTPL					
Quoted equity securities	₱90,062,660	₱90,062,660	₱-	₱-	90,062,660
Investment in mutual funds	9,583,710	-	9,583,710	-	9,583,710
Assets where fair value is disclosed					
Investment securities at amortized cost	45,000,000	44,885,524	-	-	44,885,524
	₱144,646,370	₱134,948,184	₱9,583,710	₱-	₱144,531,893

As of December 31, 2022 and 2021, there were no transfers made among the three levels in the fair value hierarchy.

The methods and assumptions used by the Fund in estimating the fair value of financial instruments are:

*Financial assets at FVTPL* – fair values are based on quoted market prices. For the Fund’s equity, fair value is determined based on published closing prices at the Philippine Stock Exchange (PSE). For investments in mutual funds, fair values are generally based on published prices, that is, NAV per share/units.

*Investment securities at amortized cost* - fair values are generally based on their quoted market prices.

## 6. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash in bank	₱156,115	₱311,664
Short-term placements	8,612,881	3,600,000
	₱8,768,996	₱3,911,664

Cash in bank consists of noninterest-bearing demand deposit account.

Short-term placements consist of investment in time deposit accounts with a local bank. These bear annual interest rates ranging from 1.00% to 4.40% in 2022, from 0.01% to 0.38% in 2021, and from 0.30% to 4.25% in 2020.

Interest income from short-term placements recognized in profit or loss amounted to ₱0.16 million, ₱0.01 million and ₱0.08 million in 2022, 2021 and 2020, respectively (see Note 13).

Unrealized foreign exchange gain (loss) from cash in bank and short-term placements amounted to ₱911 in 2022 ₱2,847 gain in 2021, and (₱180) loss in 2020.

Realized foreign exchange gain (loss) from cash in bank and short-term placements amounted to ₱11,580 in 2022, (₱400,098) in 2021 and ₱235,677 in 2020.



## 7. Financial Assets at Fair Value Through Profit or Loss

This account consists of investments in:

	2022	2021
Quoted equity securities	P82,546,963	P90,062,660
Mutual funds	3,181,371	9,583,710
	<b>P85,728,334</b>	<b>P99,646,370</b>

Quoted equity securities pertain to publicly traded common and preferred shares of listed entities.

Dividend income earned from quoted equity securities amounted to P1.78 million, P2.28 million and P2.03 million in 2022, 2021 and 2020, respectively.

In 2022, 2021 and 2020, net trading gain (loss) on financial assets at FVTPL are as follows:

	2022	2021	2020
Trading loss from sold financial assets at FVTPL	(P5,191,422)	(P1,796,782)	(P4,298,266)
Changes in fair value of outstanding financial assets at FVTPL	(1,900,270)	1,061,770	965,000
	<b>(P7,091,692)</b>	<b>(P735,012)</b>	<b>(P3,333,266)</b>

As of December 31, 2022 and 2021, there are no investments under financial assets at FVTPL in a single enterprise that exceeded an amount equivalent to 15.00% of the Fund's net asset value.

## 8. Receivables

This account consists of:

	2022	2021
Securities sold receivables	P1,261,610	P46,932
Accrued interest receivable	253,577	288,621
Dividend receivables	79,880	81,635
	<b>P1,595,067</b>	<b>P417,188</b>

Securities sold receivables pertain to equity securities sold by the Fund. This will be settled after three (3) working days from the trade date.

## 9. Investment Securities at Amortized Cost

As of December 31, 2022 and 2021, this account consists of investments in corporate bonds with aggregate carrying amount of P21.60 million and P45.00 million, respectively. The Fund also invested in government bonds in 2022 which have carrying amount of P21.97 million as of December 31, 2022.

Investment securities at amortized cost with total face amount of P35.00 million and P24.00 million matured in 2022 and 2021, respectively.



Investment securities at amortized cost bear annual interest rates ranging from 1.90% to 6.25% in 2022, from 2.50% to 6.25% in 2021, and from 3.25% to 7.82% in 2020.

Interest income earned from investments in securities at amortized cost amounted to ₱1.67 million, ₱1.89 million and ₱2.57 million in 2022, 2021 and 2020, respectively (see Note 13).

#### 10. Accounts Payable and Accrued Expenses

This account consists of:

	2022	2021
Accrued management and professional fees (Note 15)	<b>₱428,268</b>	₱513,270
Withholding tax payable	<b>26,398</b>	37,963
Payable for redeemed capital shares	<b>864,155</b>	-
Payable for purchased securities	<b>1,029,835</b>	156,493
	<b>₱2,348,656</b>	₱707,726

Payable for purchased securities pertains to equity securities bought by the Fund which will be settled after three (3) working days from the trade date.

#### 11. Maturity Profile

All of the Fund's assets and liabilities are due to be realized and settled within one year from the respective reporting dates, except for investments in securities at amortized cost with carrying amount of ₱43.57 million and ₱10.00 million as of December 31, 2022 and 2021. These investment securities have average maturities of three (3) years as of December 31, 2022 and 2021.

#### 12. Equity

As of December 31, 2022 and 2021, the Fund's capital stock consists of:

	2022	2021
Capital stock - ₱1 par value		
Authorized - 141,000,000 shares		
Issued and outstanding		
69,119,453 shares in 2022	<b>₱69,119,453</b>	
71,020,276 shares in 2021		₱71,020,276

The total expected cash outflow on redemption of all shares equals the Fund's equity. Issuance and resale of redeemable shares are based on NAV per share attributable to holders of redeemable shares.

On October 5, 2012, the stockholders approved the increase in authorized capital stock from ₱112.40 million divided into 112.40 million redeemable shares with par value of ₱1.00 per share to ₱500.00 million divided into 500 million redeemable shares with par value of ₱1.00 per share. On



August 2, 2013, the BOD approved to amend the first tranche of the increase in authorized capital stock of 28,600,000 shares.

The additional shares which was previously approved by the stockholders will increase the Fund's existing authorized capital stock from 112,400,000 shares to 141,000,000 shares. In January 2014, the Fund filed with the Philippine SEC for the increase its authorized capital stock.

Out of the proposed increase in authorized capital stock, 7,150,000 shares or 25% have been subscribed and paid at the total subscription amount of ₱13.98 million in 2013. On April 11, 2014, the Philippine SEC approved the increase in authorized capital stock. In 2015, the Fund has applied with the Philippine SEC for its authority to sell the additional shares of stock. As of December 31, 2017, the Fund has yet to receive the approval from the SEC.

On June 28, 2018, the SEC granted the Fund the authority to sell the additional shares of stocks. Thus, the deposit for future stock subscription amounting to ₱13.98 million was reclassified to capital stock at par and additional paid-in capital for the excess of subscription price over the par value.

The following presents the operational NAV per share:

	2022	2021	2020
Total equity	<b>₱137,310,196</b>	₱148,267,496	₱155,243,926
Number of shares outstanding	<b>69,119,453</b>	71,020,276	74,239,693
NAV per share	<b>₱1.9866</b>	₱2.0877	₱2.0911

#### Capital Management

The Fund's objective is to achieve long-term capital appreciation through investments in a diversified portfolio of equity and fixed income securities. The Fund seeks to provide a high level of current income as is consistent with the preservation of capital and liquidity.

The capital of the Fund is represented by total equity as shown in the statements of financial position. The Fund's total equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of shareholders. As mutual fund, the Fund stands ready to redeem shares from shareholders at any time upon the request of the latter at the prevailing NAV per share.

The Fund's objectives when managing capital are as follow:

- Safeguard the Fund's ability to continue as a going concern in order to provide returns for stakeholders;
- Maintain a strong capital base to support the development of the investment activities of the Fund; and
- Comply with the minimum subscribed and paid-in capital of ₱50.00 million required for investment companies under the Investment Company Act of 1960.

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

- Monitor the level of daily subscriptions and redemptions relative to the assets it expects to be able to liquidate within seven (7) days; and
- 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.





All securities investments present a risk of loss of capital. The Investment Advisor, BIMI, moderates this risk through a careful selection of securities and other fixed-income financial instruments within specified limits. The Fund's overall market positions are monitored on a daily basis by the Fund Manager and are reviewed on a quarterly basis by the BOD.

#### Minimum Capital Requirement

Pursuant to the Investment Company Act of 1960, the Fund's minimum capital requirement is ₱50.00 million. As of December 31, 2022 and 2021, the Fund is in compliance with the capital requirement. The Fund's capital, as provided in the statements of changes in equity, comprises its capital stock, additional paid-in capital and retained earnings.

#### Regulatory Framework

The operations of the Fund are subject to the regulatory requirements of the SEC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions.

Pursuant to the governing rules and regulations of the SEC, the Fund shall not invest in any of the following:

- Margin purchases of securities;
- Commodity futures contracts;
- Precious metals;
- Unlimited liability instruments;

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### 13. Interest Income

This account consists of:

	<u>2022</u>	2021	2020
Investment securities at amortized cost (Note 9)	<b>₱1,670,789</b>	₱1,889,143	₱2,566,078
Short-term placements (Note 6)	<b>159,775</b>	11,039	80,081
	<b>₱1,830,564</b>	₱1,900,182	₱2,646,159

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### 14. Income Taxes

Provision for income tax pertains to the 15% final withholding tax on gross interest income from foreign currency denominated unit (FCDU) bank deposits short-term placements and investments and 20.00% final withholding tax on gross interest income from peso-denominated bank deposits, short-term placements and investment securities at amortized cost.

The provision for income tax consists of final tax amounting to ₱0.28 million, ₱0.31 million and ₱0.34 million in 2022, 2021 and 2020, respectively.

Unrecognized deferred tax assets on NOLCO amounted to ₱2.22 million and ₱2.32 million as of December 31, 2022 and 2021, respectively. Management believes that the benefits from the temporary differences may not be realized.



On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2021, the Fund has incurred NOLCO before taxable year 2021 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years. The Fund has also incurred NOLCO in taxable year 2021 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act.

Details of the Fund’s NOLCO follow:

Inception Year	Amount	Expired	Balance	Expiry Year
2019	₱3,264,639	₱3,264,639	₱-	2022
2020	2,619,533	-	2,619,533	2023
2021	3,393,512	-	3,393,512	2024
2022	2,851,870	-	2,851,870	2025
	₱12,129,554	₱3,264,639	₱8,864,915	

A reconciliation of the statutory income tax to effective income tax follows:

	2022	2021	2020
Statutory income tax	(₱1,695,665)	(₱88,296)	(₱586,336)
Tax effects of:			
Non-deductible expenses	-	183,041	1,000,034
Movement in unrecognized deferred taxes	712,967	848,379	785,860
Tax-exempt income	(445,943)	(570,191)	(610,273)
Income subjected to final tax, net of tax paid	(66,269)	(63,512)	(252,976)
Non-taxable income	1,772,695	-	-
Effective income tax	₱277,785	₱309,421	₱336,309

## 15. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

The following parties are considered related parties to the Fund:

### *Fund manager and investment advisor - BIMi*

The assets of the Fund are being managed by BIMi as the Fund Manager/Principal Distributor and Investment Advisor in accordance with the Investment Company Act (R.A. No. 2629) set by SEC and its investment policy approved by the BOD of the Fund.



As Investment Advisor, BIMI shall provide the Fund with investment research, advice, assistance and investment recommendations as required by the Fund and deemed helpful in the formulation of the Fund's investment strategies and guidelines. Unless sooner terminated in writing by parties, the Agreement with BIMI shall remain in full force and effect for a period of two (2) years and shall be deemed automatically renewed for the succeeding year on each anniversary date unless expressly terminated at the instance of either party upon the service of at least thirty (30) days prior written notice by one party to the other.

Accordingly, BIMI are entitled to a management and advisory fee of not more than two percent (2.00%) per annum based on the average NAV of the Fund, or a minimum annual fee of ₱0.10 million, whichever is higher.

The Fund's transactions with related parties in 2022, 2021 and 2020 and the related outstanding balances follow:

Related Party	Account	Elements of Transactions				
		Statements of Financial Position		Statements of Comprehensive Income		
		2022	2021	2022	2021	2020
BIMI	Accrued expenses* Management and professional fees	₱149,589	₱215,126	₱-	₱-	₱-
		-	-	2,627,433	2,952,494	2,909,072

\*Due the following month, non-interest bearing and unsecured

Transactions with related parties are done at arm's length and are normally settled in cash.

#### BOD

The members of the Board will each receive a fee amounting to ₱3,000 for every regular meeting and ₱1,200 for every special meeting attended. There are no other standards or consulting arrangements nor any compensatory plan relating to resignation/retirement by which directors and officers are to be compensated other than that previously stated. The BOD members received total remuneration of ₱34,155, ₱4,320 and ₱33,000 in 2022, 2021 and 2020, respectively.

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

#### 16. Basic Loss Per Share

Loss per share for the years ended December 31, 2022, 2021 and 2020 is computed as follows:

	2022	2021	2020
Net investment loss	(₱7,060,447)	(₱662,605)	(₱2,290,761)
Weighted average number of shares outstanding	69,119,453	71,020,276	74,930,319
Basic loss per share	(₱0.1021)	(₱0.0093)	(₱0.0306)

As of December 31, 2022, 2021 and 2020, there were no outstanding dilutive potential shares.



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**17. Notes to Statements of Cash Flows**

There are no significant non-cash transactions of the Fund as of December 31, 2022 and 2021.

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**18. Supplementary Information Required Under Revenue Regulations (RR) 15-2010**

The Fund reported and/or paid the following types of taxes for the year:

Taxes and Licenses

This includes all other taxes, documentary stamp tax, and local tax, including licenses and permit fees lodged under 'Taxes and licenses' account in the Fund's statement of comprehensive income:

Business permit	₱23,777
Community tax certificate	2,247
Other fees	20,879
	<hr/>
	₱46,903

Withholding Taxes

Expanded withholding taxes in 2022 amounted to ₱433,222 and outstanding balance amounted to ₱33,806 as of December 31, 2022.

Tax Assessments and Cases

The Fund has no on-going tax assessments and cases as of December 31, 2022.





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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Solidaritas Fund, Inc.  
19<sup>th</sup> Floor, BPI Buendia Center,  
Gil Puyat Ave., Makati City

We have audited the financial statements of Solidaritas Fund, Inc. (an Open-End Investment Company) (the Fund), for the year ended December 31, 2022, on which we have rendered the attached report dated May 25, 2023.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Fund has a total number of 196 stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Redginald G. Radam  
Partner

CPA Certificate No. 118866

Tax Identification No. 249-000-259

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 118866-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-141-2021, April 27, 2021, valid until April 26, 2024

PTR No. 9564682, January 3, 2023, Makati City

May 25, 2023



**SOLIDARITAS FUND, INC.**  
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**Schedule I**  
**SOLIDARITAS FUND, INC.**  
**Schedule of Retained Earnings Available for Dividend Declaration**  
**December 31, 2022**

<b>Unappropriated retained earnings, beginning</b>	<b>₱28,164,519</b>
<b>Add: Net income actually earned/realized during the period</b>	
Net loss actually incurred during the period	(7,060,447)
Less: Unrealized loss from fair value changes of financial assets at FVTPL, net	1,900,270
<hr/>	
<b>Net income actually earned during the period</b>	<b>23,004,342</b>
Less: Redemption of shares during the year	(1,294,083)
<hr/>	
<b>Total retained earnings, end available for dividend declaration</b>	<b>₱21,710,259</b>

**SOLIDARITAS FUND, INC.**

**As at December 31, 2022**

**Schedule A - Financial Assets**

<b>Name of issuing entity</b>	<b>Number of shares or principal amount of bonds and note</b>	<b>Amount shown in the balance sheet (in PhP)</b>	<b>Value based on market quotation (in PhP)</b>	<b>Income received and accrued (in PhP)</b>
<b>Cash and Cash Equivalents</b>				
<i>Cash in bank</i>				
Bank of the Philippine Islands	156,115	156,115	156,115	—
<i>Short-term placements</i>				
Bank of the Philippine Islands	8,112,881	8,112,881	8,112,881	1,983
Rizal Commercial Banking Corporation	500,000	500,000	500,000	28
<b>Financial Assets at Fair Value through Profit or Loss</b>				
<i>Investments in mutual funds and UITF</i>				
ALFM Money Market Fund	23,877	3,181,371	3,181,371	—
<i>Quoted Equity Securities</i>				
SM Prime Holdings Inc	248,790	8,832,045	8,832,045	—
Ayala Land Inc	181,520	5,590,816	5,590,816	—
Aboitiz Equity Ventures Inc	55,450	3,199,465	3,199,465	—
BDO Unibank Inc	54,156	5,724,289	5,724,289	—
JG Summit Holdings Inc	51,135	2,572,091	2,572,091	—
Wilcon Depot Inc. (Wilcon)	46,155	1,361,573	1,361,573	—
Metropolitan Bank & Trust Co	45,231	2,442,474	2,442,474	—
DMCI Holdings Inc	42,619	511,428	511,428	—
Aboitiz Power Corp	34,400	1,171,320	1,171,320	—
Century Pacific Food Inc	33,000	851,400	851,400	—
Universal Robina Corp	28,273	3,845,128	3,845,128	—
International Container Terminal Service	26,160	5,232,000	5,232,000	—
ACEN Corporation	16,230	123,673	123,673	—
SM Investments Corp	11,842	10,657,800	10,657,800	—
Jollibee Foods Corp	11,210	2,578,300	2,578,300	—
Ayala Corp	8,200	5,699,000	5,699,000	—
Manila Electric Co	6,590	1,969,092	1,969,092	—
Ayala Corporation	6,420	3,068,760	3,068,760	—
Gt Capital Holdings Inc	4,215	1,833,525	1,833,525	—
PLDT, Inc.	1,285	1,692,345	1,692,345	—
Globe Telecom Inc	1,110	2,419,800	2,419,800	—
<i>Quoted Equity Securities-Preferred</i>				
GTCAP Preferred Shares	4,450	4,227,500	4,227,500	—
<b>Investment Securities at Amortized Cost</b>				
RTBOND311	20,000,000	19,968,742	19,902,444	23,222
PCOR-BOND	10,000,000	10,000,000	10,067,673	78,871
RLC-BOND	4,900,000	4,900,000	4,199,722	68,534
BPI-BOND	3,068,070	9,943,140	3,004,461	11,227
SECB-BOND	2,700,000	2,700,000	2,706,093	15,935
AC-BOND	1,000,000	1,000,000	1,003,925	3,464
TBILL	2,000,000	1,997,712	1,968,993	—



**SOLIDARITAS FUND, INC.**  
**As at December 31, 2022**  
**Schedule 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	Amount collected	Amount written-off	Current	Non-current	Balance at end of period
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NOTHING TO REPORT

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**SOLIDARITAS FUND, INC.**  
**As at December 31, 2022**  
**Schedule 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	Non-current	Balance at end of period
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NOT APPLICABLE

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**SOLIDARITAS FUND, INC.**  
**As at December 31, 2022**  
**Schedule D - Long-Term Debt**

<u>Title of issue and type of obligation</u>	<u>Amount authorized by indenture</u>	<u>Amount shown under caption "Current portion of long-term debt" in the related statement of financial position</u>	<u>Amount shown under caption "long-term debt" in related statement of financial position</u>
NOTHING TO REPORT			

**SOLIDARITAS FUND, INC.**  
**As at December 31, 2022**  
**Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Parties)**  
**(All amounts in Philippine Peso)**

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

**SOLIDARITAS FUND, INC.**  
**As at December 31, 2022**  
**Schedule F - Guarantees of Securities of Other Issuers**

Name of Issuing entity of securities guaranteed by the company 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
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NOTHING TO REPORT

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**SOLIDARITAS FUND, INC.**  
**As at December 31, 2022**  
**Schedule 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
Common Shares	141,000,000	69,119,453	-	-	1,068,470	68,050,983

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Solidaritas Fund, Inc.  
19<sup>th</sup> Floor, BPI Buendia Center,  
Gil Puyat Ave., Makati City

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Solidaritas Fund, Inc. (an Open-End Investment Company) (the "Fund"), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 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 (PFRSs).

#### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 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.



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 PSAs 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.

As part of an audit in accordance with PSAs, 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.

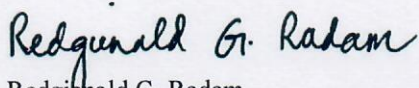




**Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 18 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Solidaritas Fund, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Redginald G. Radam  
Partner

CPA Certificate No. 118866

Tax Identification No. 249-000-259

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 118866-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-141-2021, April 27, 2021, valid until April 26, 2024

PTR No. 9564682, January 3, 2023, Makati City

May 25, 2023



**SOLIDARITAS FUND, INC.** (formerly *Bahay Pari Solidaritas Fund Inc.*)  
**(An Open-End Investment Company)**

**STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash and cash equivalents (Note 6)	<b>₱8,768,996</b>	₱3,911,664
Financial assets at fair value through profit or loss (Note 7)	<b>85,728,334</b>	99,646,370
Receivables (Note 8)	<b>1,595,067</b>	417,188
Investment securities at amortized cost (Note 9)	<b>43,566,455</b>	45,000,000
<b>TOTAL ASSETS</b>	<b>₱139,658,852</b>	₱148,975,222
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses (Note 10)	<b>₱2,348,656</b>	₱707,726
<b>EQUITY</b>		
Capital stock (Note 12)	<b>₱69,119,453</b>	71,020,276
Additional paid-in capital	<b>48,380,756</b>	49,082,701
Retained earnings	<b>19,809,987</b>	28,164,519
	<b>₱137,310,196</b>	148,267,496
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱139,658,852</b>	₱148,975,222
<b>Net Asset Value Per Share</b> (Note 12)	<b>₱1.9866</b>	₱2.0877

*See accompanying Notes to Financial Statements.*



**SOLIDARITAS FUND, INC.** (formerly Bahay Pari Solidaritas Fund Inc.)  
**(An Open-End Investment Company)**  
**STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2022	2021	2020
<b>INVESTMENT INCOME</b>			
Trading (loss) on financial assets at FVTPL - net (Note 7)	(₱7,091,692)	(₱735,012)	(₱3,333,266)
Dividend income (Note 7)	1,783,773	2,280,764	2,034,243
Interest income (Note 13)	1,830,564	1,900,182	2,646,159
Gain (loss) on foreign exchange – net (Note 6)	12,491	(397,251)	235,497
Miscellaneous	–	–	196
	<b>(3,464,864)</b>	<b>3,048,683</b>	<b>1,582,829</b>
<b>EXPENSES</b>			
Management and professional fees (Note 15)	2,917,043	3,255,768	3,178,572
Taxes and licenses	46,903	30,771	75,964
Directors' fees (Note 15)	34,155	4,320	33,000
Miscellaneous	319,697	111,008	249,745
	<b>3,317,798</b>	<b>3,401,867</b>	<b>3,537,281</b>
<b>INVESTMENT INCOME (LOSS) BEFORE TAX</b>	<b>(6,782,662)</b>	<b>(353,184)</b>	<b>(1,954,452)</b>
<b>PROVISION FOR INCOME TAX</b> (Note 14)	<b>277,785</b>	<b>309,421</b>	<b>336,309</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)*</b>	<b>(7,060,447)</b>	<b>(₱662,605)</b>	<b>(₱2,290,761)</b>
<b>Basic Loss per Share</b> (Note 16)	<b>(₱0.1021)</b>	<b>(₱0.0093)</b>	<b>(₱0.0306)</b>

\*The Fund has no other comprehensive income items.  
See accompanying Notes to Financial Statements.



**SOLIDARITAS FUND, INC. (formerly Bahay Pari Solidaritas Fund Inc.)**  
**(An Open-End Investment Company)**

**STATEMENTS OF CHANGES IN EQUITY**

	Number of Shares Outstanding (Note 12)	Capital Stock (Note 12)	Additional Paid-in Capital	Retained Earnings	Total Equity
Balances at January 1, 2022	71,020,276	₱71,020,276	₱49,082,701	₱28,164,519	₱148,267,496
Shares issued during the year	1,822,955	1,822,955	1,885,392	—	3,708,347
Shares redeemed during the year	(3,723,778)	(3,723,778)	(2,587,336)	(1,294,084)	(7,605,197)
Total comprehensive loss	—	—	—	(7,060,447)	(7,060,448)
Balances at December 31, 2022	69,119,453	₱69,119,453	₱48,350,757	₱19,809,988	₱137,310,198
Balances at January 1, 2021	74,239,693	₱74,239,693	₱51,178,404	₱29,825,829	₱155,243,926
Shares issued during the year	322,608	322,608	348,992	—	671,600
Shares redeemed during the year	(3,542,025)	(3,542,025)	(2,444,695)	(998,705)	(6,985,425)
Total comprehensive loss	—	—	—	(662,605)	(662,605)
Balances at December 31, 2021	71,020,276	₱71,020,276	₱49,082,701	₱28,164,519	₱148,267,496
Balances at January 1, 2020	76,157,920	₱76,157,920	₱51,305,887	₱34,153,856	₱161,617,663
Shares issued during the year	3,127,594	3,127,594	3,301,596	—	6,429,190
Shares redeemed during the year	(5,045,821)	(5,045,821)	(3,429,079)	(2,037,266)	(10,512,166)
Total comprehensive loss	—	—	—	(2,290,761)	(2,290,761)
Balances at December 31, 2020	74,239,693	₱74,239,693	₱51,178,404	₱29,825,829	₱155,243,926

See accompanying Notes to Financial Statements.



**SOLIDARITAS FUND, INC.** (formerly Bahay Pari Solidaritas Fund Inc.)  
**(An Open-End Investment Company)**

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**STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Investment income (loss) before tax	(₱6,782,662)	(₱353,184)	(₱1,954,452)
Adjustments for:			
Unrealized (gain) loss on financial assets at FVTPL— net (Note 7)	1,900,270	(1,061,770)	(965,000)
Amortization of premium on investment securities at amortized cost	(4)	77	9,355
Changes in operating assets and liabilities:			
Decrease (increase) in the amounts of:			
Financial assets at FVTPL	12,017,766	10,592,601	(8,400,696)
Receivables	(1,177,879)	754,678	(754,109)
Increase (decrease) in accounts payable and accrued expenses	1,640,930	172,193	(83,242)
Net cash generated from (used in) operations	7,598,421	10,104,595	(12,148,144)
Income taxes paid	(277,785)	(309,421)	(336,309)
Net cash provided by (used in) operating activities	7,320,636	9,795,174	(12,484,453)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from:			
Maturity of investment in securities at amortized cost (Note 9)	35,000,000	23,999,922	28,192,000
Acquisition of:			
Investment in securities at amortized cost (Note 9)	(33,566,454)	(25,000,000)	(24,000,000)
Net cash provided by (used in) investing activities	1,433,546	(1,000,078)	4,192,000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments for share redemptions	(7,605,197)	(6,985,425)	(10,512,166)
Proceeds from share issuances	3,708,347	671,600	6,429,190
Net cash used in financing activities	(3,896,850)	(6,313,825)	(4,082,976)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>4,857,332</b>	<b>2,481,271</b>	<b>(12,375,429)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>3,911,664</b>	<b>1,430,393</b>	<b>13,805,822</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>₱8,768,996</b>	<b>₱3,911,664</b>	<b>₱1,430,393</b>
<b>OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS</b>			
Dividends received from equity securities	₱1,785,528	₱2,281,663	₱2,034,243
Interest received	1,865,608	1,898,652	2,840,142

See accompanying Notes to Financial Statements.



**SOLIDARITAS FUND, INC.** (formerly *Bahay Pari Solidaritas Fund Inc.*)  
(An Open-End Investment Company)  
**NOTES TO FINANCIAL STATEMENTS**

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**1. Corporate Information**

Solidaritas Fund, Inc. (the “Fund”) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on March 10, 2008 as an open-end investment company (or “Mutual Fund”) under the Philippine Investment Company Act. The corporate term for which the fund is to exist is 50 years from and after the date of its incorporation. The Fund is engaged in selling its shares to the public and investing the proceeds in a mix of high-quality debt and equity securities such as bonds, commercial papers and other money market instruments, and common and preferred shares. As an open-end investment company, it stands ready at any time to redeem its outstanding capital stock at net asset value (NAV) per share. The Fund subsequently commenced its operations on March 25, 2008.

On July 17, 2017, the Fund’s Board of Directors (BOD) and shareholders approved an amendment in the Articles of Incorporation to change the Fund’s name from Bahay Pari Solidaritas Fund, Inc. to Solidaritas Fund, Inc.

The SEC approved the change in company name on April 13, 2018.

The investment objective of the Fund is to provide long-term capital appreciation through investments in a diversified portfolio of equity and fixed-income securities. BPI Investment Management, Inc. (BIMI) employs an active management strategy for the Fund. To achieve returns that are aimed to outperform the chosen benchmark, BIMI adopts active stock selection, asset allocation and market timing strategies.

The Fund’s principal place of business is located at 19<sup>th</sup> Floor, BPI Buendia Center, Sen Gil Puyat Ave., Makati City.

The accompanying financial statements were authorized for issue by the Board of Directors (BOD) on May 25, 2023.

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**2. Summary of Significant Accounting Policies**

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), which have been measured at fair value. The financial statements are presented in Philippine Peso (₱ or “PHP” or “Peso”), the Fund’s functional currency. The amounts in the financial statements are rounded off to the nearest peso, unless otherwise stated.

Statement of Compliance

The accompanying financial statements of the Fund have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).



### New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Fund.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*



The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

#### Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Fund intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the financial statements.

##### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

##### *Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

##### *Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

##### *Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*





## **Significant Accounting Policies**

### Cash and Cash Equivalents

Cash includes cash in bank. Cash equivalents are short-term, highly liquid placements that are readily convertible to known amounts of cash and with original maturities of three months or less from dates of placement and which are subject to an insignificant risk of changes in value.

### Financial Instruments

#### *Date of recognition*

The Fund recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

#### *Initial recognition of financial instruments*

All financial instruments are initially recognized at fair value. Except for financial assets and liabilities at FVTPL, the initial measurement of financial assets and liabilities includes transaction costs.

#### *Determination of fair value*

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions (that is, an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (that is, using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (that is, discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable



For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each statement of financial position date.

*'Day 1' difference*

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Fund recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Fund determines the appropriate method of recognizing the 'Day 1' difference amount.

*Classification and Subsequent Measurement of financial instruments*

*Classification of financial assets*

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Fund's business model for managing financial assets. The Fund classifies its financial assets into the following categories: financial assets at FVTPL, financial assets at fair value through other comprehensive income (FVOCI) and financial assets measured at amortized cost.

*Contractual cash flows characteristics*

The Fund assesses whether the cash flows from the financial asset represent solely payment of principal and interest (SPPI) on the principal amount outstanding. Instruments with cash flows that do not represent as such are classified at FVTPL.

In making this assessment, the Fund determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

*Business model*

The Fund's business model does not depend on management's intentions for an individual instrument, rather it refers to how it manages its group of financial assets in order to generate cash flows (i.e. collecting contractual cash flows, selling financial assets or both).

Relevant factors considered by the Fund in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Fund's key management personnel. The Fund also considers the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers, if any, of the business are compensated.

As of December 31, 2022 and 2021, the Fund has no financial assets at FVOCI.



*Financial assets at FVTPL*

Debt financial assets that do not meet the amortized cost criteria, or that meet the criteria but the Fund has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss.

Equity investments are classified as at FVTPL, unless the Fund designates an investment that is not held for trading as at FVOCI at initial recognition.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Fund manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

The Fund's financial assets at FVTPL include equity securities held for trading purposes and Investment in mutual funds.

Financial assets at FVTPL are recorded in the statement of financial position at fair value, with changes in the fair value included under the 'Unrealized gain (loss) on financial assets at FVTPL-net' account in profit or loss in the statement of comprehensive income. Interest earned is reported in the profit or loss under 'Interest income' while dividend income is reported in profit or loss in the statement of comprehensive income under 'Dividend income' when the right to receive payment has been established.

*Financial assets at amortized cost*

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

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

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are integral part of the EIR. The amortization is included in 'Interest income' in profit or loss in the statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset. The Fund's financial assets at amortized cost consist of 'Cash and cash equivalents', 'Receivables', and 'Investment securities at amortized cost'.

*Reclassifications of financial instruments*

The Fund reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Fund and any previously recognized gains, losses or interest shall not be restated.



*Financial liabilities at amortized cost*

Issued financial instruments or their components, which are not designated at FVTPL, are classified as financial liabilities at amortized cost. After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR method.

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. This policy applies to 'Accounts payable and other accrued expenses' of the Fund.

As of December 31, 2022 and 2021, the Fund has no financial liabilities at FVTPL.

Derecognition of Financial Assets and Liabilities

*Financial asset*

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Fund has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control over the asset.

Where the Fund has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Fund's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

*Financial liability*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

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 the statement of comprehensive income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Fund assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event.



## Impairment of Financial Assets

### *Expected credit loss*

PFRS 9 requires the Fund to record expected credit losses (ECL) for all receivables and other debt financial assets not classified as FVTPL, together with loan commitments and financial guarantee contracts.

### *Expected credit loss methodology*

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of the financial asset.

### *Definition of default*

Generally, the Fund defines a financial asset as in default for purposes of calculating ECL when the contractual payments are past due for more than 30 days. As part of the qualitative assessment, the Fund also considers a variety of instances that may indicate unlikelihood to pay to determine if a counterparty has defaulted.

### *SICR*

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Fund's aging information, the borrower becomes past due for over 30 days. Further, the Fund assumes that the credit risk of a financial asset, particularly on cash and equivalents, short-term investments and investment securities at amortized cost, has not increased significantly since origination if the financial asset is determined to have "low credit risk" as of the reporting date. A financial asset is considered "low credit risk" when it has an external rating equivalent to "investment grade".

In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Fund shall revert to recognizing a 12-month ECL.

### *Staging assessment*

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired debt financial assets which have not experienced a SICR since initial recognition. The criteria for determining whether a debt financial asset should be assessed under stage 1 are as follows: (i) borrower risk rating (BRR) is within the range of 1.1-6.2 based on the Fund's internal credit rating (i.e., equivalent to investment grade) as of reporting period; or (ii) external credit rating is investment grade as of cut-off date. The Fund recognizes a 12-month ECL for Stage 1 debt financial assets.
- Stage 2 is comprised of all non-impaired debt financial assets which have experienced a SICR since initial recognition. A SICR is generally deemed present in debt financial assets when: (i) their credit ratings have been migrated to BRR of 6.3 that is based on the Fund's internal credit rating (i.e., equivalent to non-investment grade); or (ii) their external credit rating has downgraded to non-investment grade as of cut-off date. The Fund recognizes a lifetime ECL for Stage 2 debt financial assets.



For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment.

*ECL parameters and methodologies*

For financial assets such as 'Cash and cash equivalents', receivables and private debt securities classified under 'Investment securities at amortized cost', the Fund applied the general approach in measuring ECL that considers assessment of significant increase in credit risk and adjustments for forward-looking information.

*Forward looking information*

A range of economic overlays are considered and expert credit judgment is applied in determining the forward-looking inputs to the ECL calculation. A broad range of forward-looking information are considered as economic outputs such as G20 Real Gross Domestic Product (GDP), USD Treasury Rates, DXY Dollar Index and CitiWorld Global Index. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

*Write-off policy*

The Fund writes off its financial assets when it has been established that all efforts to collect and/or recover the loss has been exhausted. This may include the other party being insolvent, deceased or the obligation being unenforceable.

Revenue Recognition (under PFRS 15)

The Fund is primarily engaged in selling its shares to the public and investing the proceeds in a mix of high-quality debt and equity securities such as bonds, commercial papers and other money market instruments, and common and preferred shares.

To account for the revenues arising from contracts with customers, the Fund applies the following five step model:

- a. Identify the contract(s) with a customer
- b. Identify the performance obligations in the contract
- c. Determine the transaction price
- d. Allocate the transaction price to the performance obligations in the contract
- e. Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Fund expects to be entitled in exchange for those goods or services. The Fund has generally concluded that it is the principal in its revenue arrangements.

Revenue Recognition (outside the scope of PFRS 15)

*Trading gain (loss) on financial assets at FVTPL - net*

'Trading gain (loss) on financial assets at FVTPL- net' represent results arising from trading activities including all gains and losses from changes in fair value and disposals of financial assets at FVTPL.

*Dividend income*

Dividend income is recognized when the Fund's right to receive payment is established.

*Interest income*



Interest income is recognized in profit or loss in the statement of comprehensive income as it accrues, taking into account the effective yield of the asset. Interest income includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an EIR basis.

#### Expense Recognition

Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized when incurred.

#### Income Taxes

##### *Current taxes*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. Tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the statement of financial position date.

Effective January 1, 2019, the Fund periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

##### *Deferred taxes*

Deferred tax is provided, using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and carryforward of unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rate applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Current tax and deferred tax relating to items recognized directly in equity are recognized directly in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same tax authority.

#### Net Asset Value (NAV) per Share

NAV per share is computed by dividing net assets (total assets less total liabilities) by the total number of outstanding redeemable shares as of the statement of financial position date.



#### Capital Stock Transaction

The Fund's redeemable shares have the following features, which qualify them as puttable instruments classified as equity instruments:

- The shares entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The shares are in the class of instruments that is subordinate to all other classes of instruments.
- All shares in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's right to a pro rata share of the Fund's net assets.
- The total expected cash flows attributable to the shares over their life are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

Further, the Fund does not have other financial instruments or contracts that have:

- Total cash flows based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund; and
- The effect of substantially restricting or fixing the residual return to the puttable instruments' holders.

The Fund continuously assesses the classification of the redeemable shares. If the redeemable shares cease to have all the features or meet the conditions stated above, the Fund will reclassify the shares as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognized in equity. If the redeemable shares subsequently have all the features and meet the above conditions, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of reclassification.

The issuance, acquisition and resale of redeemable shares are accounted for as equity transactions. Upon issuance of shares (or sale of treasury shares), the consideration received is included in equity. Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale or issuance or cancellation of the Fund's own equity instruments. Redemptions are recorded as charges against equity.

Transaction costs incurred by the Fund in issuing, acquiring or selling its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

#### Retained earnings

The amounts in retained earnings include accumulated investment income of previous periods reduced by excess of redemption cost over the original selling price of redeemed shares.

#### Dividend Distribution

Dividend distributions are at the discretion of the Fund. A dividend distribution to the Fund's shareholders is accounted for as a deduction from retained earnings. A proposed dividend is recognized as a liability in the period in which it is approved by the shareholders.





#### Earnings per Share (EPS)

Basic EPS is calculated by dividing the net investment income by the weighted average number of shares outstanding during the period after giving retroactive effect to stock dividends declared and stock rights exercised during the period, if any. The Fund does not have dilutive potential common shares.

#### Provisions

Provisions are recognized when the Fund has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### Contingencies

Contingent assets are not recognized but are disclosed in the notes to financial statements when an inflow of economic benefits is probable. Contingent liabilities are not recognized in the financial statements, but are disclosed in the notes to financial statements, unless the possibility of an outflow of resources embodying benefits is remote.

#### Events after the Reporting Period

Post year-end events that provide additional information about the Fund's financial position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post year-end events that are non-adjusting events, if any, are disclosed in the notes to financial statements when material.

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### 3. **Significant Judgment and Estimate**

As of December 31, 2022 and 2021, the preparation of the Fund's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates 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. As of December 31, 2022 and 2021, the Fund has not made significant estimates in the preparation of the financial statements.

#### Judgments

In the process of applying Fund's accounting policies, the Fund has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

*a. Testing the cash flow characteristics of financial assets*

In determining the classification of financial assets under PFRS 9, the Fund assesses whether the contractual terms (e.g., substance of prepayment option, variability of interest, substance of extension option, etc.) of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding, other basic lending risks and costs as well as profit margin.

*b. Evaluation of business model in managing financial instruments*

The Fund developed business models which reflect how it manages its portfolio of financial instruments. The Fund's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that



are managed together by the Fund) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Fund evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Fund.

*c. Classification of shares as equity or liability*

The Fund continuously assesses whether all of the conditions indicated in its accounting policy on Capital Stock and Redeemable Shares (Note 2) are met by the redeemable shares it issues to retain the classification of the shares as equity instruments.

In applying its judgment, management considers the rights and claims of each shareholder embedded in the shares issued, the type and features of issued shares including the terms of any contractual obligation, and the basis for the cash flows attributable to the entirety of the term of the shares.

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#### 4. Financial Risk Management Objectives and Policies

The Fund's activities are exposed to a variety of financial risks: credit risk, liquidity risk, and market risk, which includes currency risk, fair value interest rate risk, price risk and cash flow interest rate 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 Fund is exposed to financial risks through its financial instruments. The principal financial assets of the Fund are cash and cash equivalents, short-term investments, financial assets at FVTPL, receivables and investment securities at amortized cost. These risks arise from open positions in interest rate and equity products, all of which are exposed to general and specific market movements.

##### Nature of Risks and Risk Management Objectives and Policies

The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects of such unpredictability on the Fund's financial performance.

The Fund is governed by the provisions in its prospectus that incorporates relevant investment rules and regulations by regulators such as the Investment Company Act (ICA) and the SEC, among others.

Specifically, the Fund primarily invests in equity securities, however, as a tactical move, a portion of the Fund may also be invested in government securities and in SEC-registered commercial papers but taking precautions of the market conditions, the level of interest rates, and of liquidity needs.

Moreover, the Fund's investment activities are also guided by the following limits/conditions:

- Under ICA Rule 35-1, the maximum investment in any single enterprise shall not exceed an amount equivalent to fifteen percent (15.00%) of the Fund's NAV except obligations of the Philippine Government and its instrumentalities, nor shall the total investment of the Fund exceed ten percent (10.00%) of the outstanding securities of any one investee company.
- Investments to margin purchases of securities, commodity futures contracts, precious metals, unlimited liability instruments, and short selling of currencies and securities are not allowed.
- The Fund shall not incur any further debt or borrowing unless at the time of its incurrence or immediately thereafter there is an asset coverage of at least three hundred percent (300.00%) for



all borrowings of the Fund. Provided, however, that in the event that such asset coverage shall at any time fall below three hundred percent (300.00%), the Fund shall within three (3) days thereafter, reduce the amount of its borrowings to an extent that the asset coverage of such borrowings shall be at least three hundred percent (300.00%).

- The Fund shall not purchase from, or sell to any of its officers or directors or the officers or directors of its Fund Manager, their managers or distributors or firms of which any of them are members, any security other than those of the Fund's own capital stock.

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. This includes the risk that the Fund's investment in government and private debt securities will decline as the bond issuer may not be able to pay its debt upon interest payments and maturity.

*Maximum exposure to credit risk*

The Fund trades only with recognized, creditworthy third parties and monitors the creditworthiness of these counterparties by reviewing their credit ratings and financial statements on a regular basis. The Fund's maximum exposure to credit risk, without taking into account any collateral held or other credit enhancements, equals the carrying values of financial assets.

*Risk concentration of the maximum exposure to credit risk*

The Fund monitors concentration of counterparty credit risk by industry. An analysis of concentrations of credit risk at the statement of financial position date is shown below:

	Cash and cash equivalents	Receivables	Investment securities at amortized cost	Total
Financial intermediaries	₱8,768,996	₱122,134	₱10,600,000	19,491,131
Government	—	29,028	—	21,995,482
Energy	—	98,588	10,000,000	10,098,588
Holding firm	—	573,775	1,000,000	1,573,775
Property	—	27,889	4,900,000	
Retail	—	762,087	—	762,088
Services	—	—	—	
Transportation	—	—	—	
Food & Beverages	—	9,456	—	9,456
	<b>8,768,996</b>	<b>1,595,067</b>	<b>43,566,455</b>	<b>53,930,518</b>

\*Excluding financial assets at FVTPL

	2021			
	Cash and cash equivalents	Receivables	Investment securities at amortized cost	Total
Financial intermediaries	₱3,911,664	₱132,255	₱35,000,000	₱39,043,919
Energy	—	156,366	10,000,000	10,156,366
Holding firm	—	81,635	—	81,635
Property	—	46,932	—	46,932
	<b>₱3,911,664</b>	<b>₱417,188</b>	<b>₱45,000,000</b>	<b>₱49,328,852</b>

\*Excluding financial assets at FVTPL

Credit risk is likewise minimized through diversification or by investing in a variety of investments belonging to different sectors or industries. A credit analysis is a standard operational procedure in order to assess the credit quality and the credit worthiness of the counterparty. Transactions may also



be structured to include collateralization or various credit enhancements when necessary. Credit exposures are closely monitored so as to ensure that payments are made on time. No collateral was held against investment securities as of December 31, 2022 and 2021.

The Fund adopted the internal credit rating process of its Investment Advisor, BIMi, in assessing the credit quality of the Fund's investments. In addition, BIMi considers credit ratings by other agencies such as Standard & Poors, and Moody's and Fitch. The Fund Manager reviews the credit ratings and ensures that assets are of high quality to minimize this type of risk. Investments undergo a strict approval process especially for corporate issues.

Presented below is the mapping of the credit risk rating from external rating agencies to the Fund's internal risk rating for investment securities:

Agency	Prime	High Grade			Upper Medium Grade			Low Medium Grade		
S&P	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
Moody's	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
Fitch	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
PhilRatings	AAA	Aa+	Aa	Aa-	A+	A	A-	Baa+	Baa	Baa-

Agency	Non-investment Grade Speculative			Substandard Grade			Substantial Risk to In default	
S&P	BB+	BB	BB-	B+	B	B-	Below B-	
Moody's	Ba1	Ba2	Ba3	B1	B2	B3	Below B3	
Fitch	BB+	BB	BB-	B+	B	B-	Below B-	
PhilRatings	Ba+	Ba	Ba-	B+	B	B-	Below B-	

The tables below show the credit quality by class of financial assets of the Fund:

	2022						
	Prime	High grade	Upper Medium Grade	Low Medium Grade	Unrated	Total	
Cash and cash equivalents	P-	P	P-	P8,768,996	P-	P8,768,996	
Receivables	620,855	61,465	-	122,134	790,612	1,595,066	
Financial Assets at FVTPL							
Investment securities at amortized cost	11,000,000		-	10,600,000	21,966,454	43,566,455	
	P11,620,855			P19,491,130	P22,757,066		
		P61,465	P-		6	53,930,516	

	2021						
	Prime	High grade	Upper Medium Grade	Low Medium Grade	Unrated	Total	
Cash and cash equivalents	P-	P-	P-	P3,911,664	P-	P3,911,664	
Receivables	232,846	126,564	-	57,778	-	417,188	
Investment securities at amortized cost	10,000,000	25,000,000	-	10,000,000	-	45,000,000	
	P10,232,846	P25,126,564	P-	P13,969,442	P-	P49,328,852	

The internal credit rating ranges from '1' to '10', with '1' being the highest. An internal credit rating of '1' means that there is a low probability of going into default in the coming year, high degree of stability and diversity. Cash and cash equivalents and accrued interest receivable are considered low-risk investments since counterparties of the Fund as of December 31, 2022 and 2021 are limited only to banks in the Philippines with good standing. All financial assets above are assessed as Stage 1 financial assets.

#### Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with the financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated. This risk also includes the risk that the investments of the Fund cannot be sold or converted into cash within a reasonable time or in instances where sale or conversion is possible but not at a fair price.



To mitigate this risk, the Fund observes existing rules and regulations related to maintaining a certain percentage of the Fund's assets in liquid assets.

The Fund's policy prescribes that at least ten percent (10.00%) of its total assets is invested in any of the following:

- Treasury notes or bills, Bangko Sentral ng Pilipinas (BSP) Certificates of Indebtedness which are short-term, and other government securities or bonds and such other evidences of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines.
- Savings or time deposits with government-owned banks or commercial banks; provided that in no case shall any such savings or time deposits account be accepted or allowed under a 'bearer', 'numbered' account or other similar arrangement.

The Fund shall submit a liquidity contingency plan to the SEC before it implements a decrease investment of less than ten percent (10%) but not less than five percent (5%) in liquid/ semi- liquid assets. The Fund is also exposed to daily cash redemptions of its redeemable shares. It therefore invests majority of its assets in investments that are traded in an active market and can be readily disposed of. Further, payment for shares so redeemed shall be credited to the shareholder's settlement account with the receiving bank within seven (7) business days reckoned from the date the redemption request is received by the Fund. Due to the inherent nature of the Fund, however, where redemptions are funded by selling equity investments held by the Fund, there may be instances when the Fund may take longer to credit the proceeds of the redemptions especially in the absence of a liquid trading market for such index shares.

The Fund may suspend redemption or postpone the date of payment for redemptions in such cases when (i) normal trading is suspended on the Philippine Stock Exchange (PSE), or (ii) with the consent of the SEC. The Fund, however, shall not suspend the right of redemption or not postpone the date of payment or satisfaction upon redemption of any redeemable security for more than 7 banking days after the tender of such security to the Fund, except in the following cases:

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

#### *Financial assets*

Analysis of financial assets at FVTPL into maturity groupings is based on the expected date on which these assets will be realized. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the statement of financial position date to the contractual maturity date.

#### *Financial liabilities*

The maturity grouping is based on the remaining period from the end of the statement of financial reporting date to the contractual maturity date. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund can be required to pay.



The following tables show the maturity profile of the financial instruments, based on contractual undiscounted cash flows:

	2022						Total
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
<b>Financial assets</b>							
Cash and cash equivalents	₱156,115	₱8,612,881	₱-	₱-	₱-	₱-	₱8,768,996
<b>Financial assets at FVTPL:</b>							
Quoted equity securities	82,546,963	-	-	-	-	-	82,546,963
Investments in mutual funds	3,181,371	-	-	-	-	-	3,181,371
Receivables	-	1,595,067	-	-	-	-	1,595,067
<b>Investment securities at amortized cost</b>							
Government Securities		1,997,712				19,968,742	21,966,454
Private Securities*		76,279	341,266	626,105	312,732	21,737,255	23,093,637
	<b>₱85,884,449</b>	<b>₱12,281,939</b>	<b>₱341,266</b>	<b>₱626,105</b>	<b>₱312,732</b>	<b>₱41,705,997</b>	<b>₱141,152,488</b>
<b>Financial liabilities</b>							
Accounts payable and accrued expenses	₱2,322,258	-	-	-	-	-	₱2,322,258

\*Includes future interest

	2021						Total
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
<b>Financial assets</b>							
Cash and cash equivalents*	₱311,664	₱3,600,022	₱-	₱-	₱-	₱-	₱3,911,686
<b>Financial assets at FVTPL:</b>							
Quoted equity securities	90,062,660	-	-	-	-	-	90,062,660
Investments in mutual funds	9,583,710	-	-	-	-	-	9,583,710
Receivables	-	417,188	-	-	-	-	417,188
<b>Investment securities at amortized cost*</b>							
	-	25,116,311	221,366	219,199	10,312,732	10,762,719	46,632,327
	<b>₱99,958,034</b>	<b>₱29,133,521</b>	<b>₱221,366</b>	<b>₱219,199</b>	<b>₱10,312,732</b>	<b>₱10,762,719</b>	<b>₱150,607,571</b>
<b>Financial liabilities</b>							
Accounts payable and accrued expenses	₱669,762	₱-	₱-	₱-	₱-	₱-	₱669,763

\*Includes future interest

### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, foreign currency risk and other price risk, such as equity risk.

To properly manage price risk, various risk management methodologies are utilized to quantify the potential changes in the portfolio resulting from changes in security prices. Risk is, then, monitored and controlled through the establishment of equity exposure limits and tracking error. Investment portfolios are also subject to price risk stress testing on a periodic basis.

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund monitors exchange rates, and any trends and changes. Measures are adopted by the Fund to protect its financial assets and financial liabilities in the event there would be significant fluctuations in exchange rates. The Fund's exposure to the risk of changes in foreign exchange rates relates primarily to each entity's financial instruments denominated in currencies other than its functional currency. The Fund's foreign exchange risk results from movements of the PHP against the United States Dollar (\$) or "USD" of its financial assets and liabilities.

The closing rates used are as follows:

	2022	2021
PHP : USD	55.755	50.999



The Fund's exposure to foreign exchange risk as of December 31, 2022 and 2021 relates to its USD denominated cash in bank amounting to \$811 and \$3,664 respectively.

The following table demonstrates the sensitivity to a possible change in the PHP to USD with all variables held constant, of the Fund's income before tax (due to change in the fair value of monetary assets and liabilities):

Effect on income before tax	2022		2021	
	+9%	-9%	+1%	-1%
USD	₱4,070	(₱4,070)	₱1,869	(₱1,869)

The positive change pertains to the depreciation of PHP against USD and the negative change pertains to the appreciation of PHP against USD.

*Equity price risk*

The Fund's equity price risk emanates from its securities in proprietary account which are financial assets classified as at FVTPL in 2022 and 2021, respectively. The Fund measures the sensitivity of its investment securities by using PSE index (PSEi) fluctuations.

The impact of the reasonably possible changes in the PSEi on the Fund's income before income tax is as follows (amounts in millions):

	2022		2021	
	Percentage increase/decrease in PSEi	Effect on income before income tax	Percentage increase/decrease in PSEi	Effect on income before income tax
Increase	+14.98%	₱12.36	+18.63%	₱16.12
Decrease	-14.98%	(12.36)	-18.63%	(16.12)

## 5. Fair Value Measurement

As of December 31, 2022 and 2021, the carrying value of the Fund's financial assets and liabilities as reflected in the statements of financial position and related notes approximate their fair values as of the statement of financial position date except investment securities at amortized cost.

The following tables summarize the carrying amount and fair values of financial assets by level of fair value hierarchy of the Fund's financial assets that are measured at fair value and those for which fair values are required to be disclosed:

	2022				Total
	Carrying Values	Level 1	Level 2	Level 3	
<b>Assets measured at fair value</b>					
Financial assets at FVTPL					
Quoted equity securities	₱82,546,963	₱82,546,963	₱-	₱-	₱82,546,963
Investment in mutual funds	3,181,371	-	3,181,371	-	3,181,371
<b>Assets where fair value is disclosed</b>					
Investment securities at amortized cost	43,566,455	43,672,473	-	-	43,672,473
	₱129,294,789	₱126,219,436	₱3,181,371	₱-	₱129,400,807



	2021				Total
	Carrying Values	Level 1	Level 2	Level 3	
Assets measured at fair value					
Financial assets at FVTPL					
Quoted equity securities	₱90,062,660	₱90,062,660	₱-	₱-	90,062,660
Investment in mutual funds	9,583,710	-	9,583,710	-	9,583,710
Assets where fair value is disclosed					
Investment securities at amortized cost	45,000,000	44,885,524	-	-	44,885,524
	<b>₱144,646,370</b>	<b>₱134,948,184</b>	<b>₱9,583,710</b>	<b>₱-</b>	<b>₱144,531,893</b>

As of December 31, 2022 and 2021, there were no transfers made among the three levels in the fair value hierarchy.

The methods and assumptions used by the Fund in estimating the fair value of financial instruments are:

*Financial assets at FVTPL* – fair values are based on quoted market prices. For the Fund’s equity, fair value is determined based on published closing prices at the Philippine Stock Exchange (PSE). For investments in mutual funds, fair values are generally based on published prices, that is, NAV per share/units.

*Investment securities at amortized cost* - fair values are generally based on their quoted market prices.

## 6. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash in bank	<b>₱156,115</b>	₱311,664
Short-term placements	<b>8,612,881</b>	3,600,000
	<b>₱8,768,996</b>	<b>₱3,911,664</b>

Cash in bank consists of noninterest-bearing demand deposit account.

Short-term placements consist of investment in time deposit accounts with a local bank. These bear annual interest rates ranging from 1.00% to 4.40% in 2022, from 0.01% to 0.38% in 2021, and from 0.30% to 4.25% in 2020.

Interest income from short-term placements recognized in profit or loss amounted to ₱0.16 million, ₱0.01 million and ₱0.08 million in 2022, 2021 and 2020, respectively (see Note 13).

Unrealized foreign exchange gain (loss) from cash in bank and short-term placements amounted to ₱911 in 2022 ₱2,847 gain in 2021, and (₱180) loss in 2020.

Realized foreign exchange gain (loss) from cash in bank and short-term placements amounted to ₱11,580 in 2022, (₱400,098) in 2021 and ₱235,677 in 2020.





## 7. Financial Assets at Fair Value Through Profit or Loss

This account consists of investments in:

	2022	2021
Quoted equity securities	P82,546,963	P90,062,660
Mutual funds	3,181,371	9,583,710
	<b>P85,728,334</b>	<b>P99,646,370</b>

Quoted equity securities pertain to publicly traded common and preferred shares of listed entities.

Dividend income earned from quoted equity securities amounted to P1.78 million, P2.28 million and P2.03 million in 2022, 2021 and 2020, respectively.

In 2022, 2021 and 2020, net trading gain (loss) on financial assets at FVTPL are as follows:

	2022	2021	2020
Trading loss from sold financial assets at FVTPL	(P5,191,422)	(P1,796,782)	(P4,298,266)
Changes in fair value of outstanding financial assets at FVTPL	(1,900,270)	1,061,770	965,000
	<b>(P7,091,692)</b>	<b>(P735,012)</b>	<b>(P3,333,266)</b>

As of December 31, 2022 and 2021, there are no investments under financial assets at FVTPL in a single enterprise that exceeded an amount equivalent to 15.00% of the Fund's net asset value.

## 8. Receivables

This account consists of:

	2022	2021
Securities sold receivables	P1,261,610	P46,932
Accrued interest receivable	253,577	288,621
Dividend receivables	79,880	81,635
	<b>P1,595,067</b>	<b>P417,188</b>

Securities sold receivables pertain to equity securities sold by the Fund. This will be settled after three (3) working days from the trade date.

## 9. Investment Securities at Amortized Cost

As of December 31, 2022 and 2021, this account consists of investments in corporate bonds with aggregate carrying amount of P21.60 million and P45.00 million, respectively. The Fund also invested in government bonds in 2022 which have carrying amount of P21.97 million as of December 31, 2022.

Investment securities at amortized cost with total face amount of P35.00 million and P24.00 million matured in 2022 and 2021, respectively.



Investment securities at amortized cost bear annual interest rates ranging from 1.90% to 6.25% in 2022, from 2.50% to 6.25% in 2021, and from 3.25% to 7.82% in 2020.

Interest income earned from investments in securities at amortized cost amounted to ₱1.67 million, ₱1.89 million and ₱2.57 million in 2022, 2021 and 2020, respectively (see Note 13).

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#### 10. Accounts Payable and Accrued Expenses

This account consists of:

	2022	2021
Accrued management and professional fees (Note 15)	₱428,268	₱513,270
Withholding tax payable	26,398	37,963
Payable for redeemed capital shares	864,155	-
Payable for purchased securities	1,029,835	156,493
	<b>₱2,348,656</b>	<b>₱707,726</b>

Payable for purchased securities pertains to equity securities bought by the Fund which will be settled after three (3) working days from the trade date.

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#### 11. Maturity Profile

All of the Fund's assets and liabilities are due to be realized and settled within one year from the respective reporting dates, except for investments in securities at amortized cost with carrying amount of ₱43.57 million and ₱10.00 million as of December 31, 2022 and 2021. These investment securities have average maturities of three (3) years as of December 31, 2022 and 2021.

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#### 12. Equity

As of December 31, 2022 and 2021, the Fund's capital stock consists of:

	2022	2021
Capital stock - ₱1 par value		
Authorized - 141,000,000 shares		
Issued and outstanding		
69,119,453 shares in 2022	₱69,119,453	
71,020,276 shares in 2021		₱71,020,276

The total expected cash outflow on redemption of all shares equals the Fund's equity. Issuance and resale of redeemable shares are based on NAV per share attributable to holders of redeemable shares.

On October 5, 2012, the stockholders approved the increase in authorized capital stock from ₱112.40 million divided into 112.40 million redeemable shares with par value of ₱1.00 per share to ₱500.00 million divided into 500 million redeemable shares with par value of ₱1.00 per share. On



August 2, 2013, the BOD approved to amend the first tranche of the increase in authorized capital stock of 28,600,000 shares.

The additional shares which was previously approved by the stockholders will increase the Fund's existing authorized capital stock from 112,400,000 shares to 141,000,000 shares. In January 2014, the Fund filed with the Philippine SEC for the increase its authorized capital stock.

Out of the proposed increase in authorized capital stock, 7,150,000 shares or 25% have been subscribed and paid at the total subscription amount of ₱13.98 million in 2013. On April 11, 2014, the Philippine SEC approved the increase in authorized capital stock. In 2015, the Fund has applied with the Philippine SEC for its authority to sell the additional shares of stock. As of December 31, 2017, the Fund has yet to receive the approval from the SEC.

On June 28, 2018, the SEC granted the Fund the authority to sell the additional shares of stocks. Thus, the deposit for future stock subscription amounting to ₱13.98 million was reclassified to capital stock at par and additional paid-in capital for the excess of subscription price over the par value.

The following presents the operational NAV per share:

	2022	2021	2020
Total equity	<b>₱137,310,196</b>	₱148,267,496	₱155,243,926
Number of shares outstanding	<b>69,119,453</b>	71,020,276	74,239,693
NAV per share	<b>₱1.9866</b>	₱2.0877	₱2.0911

#### Capital Management

The Fund's objective is to achieve long-term capital appreciation through investments in a diversified portfolio of equity and fixed income securities. The Fund seeks to provide a high level of current income as is consistent with the preservation of capital and liquidity.

The capital of the Fund is represented by total equity as shown in the statements of financial position. The Fund's total equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of shareholders. As mutual fund, the Fund stands ready to redeem shares from shareholders at any time upon the request of the latter at the prevailing NAV per share.

The Fund's objectives when managing capital are as follow:

- Safeguard the Fund's ability to continue as a going concern in order to provide returns for stakeholders;
- Maintain a strong capital base to support the development of the investment activities of the Fund; and
- Comply with the minimum subscribed and paid-in capital of ₱50.00 million required for investment companies under the Investment Company Act of 1960.

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

- Monitor the level of daily subscriptions and redemptions relative to the assets it expects to be able to liquidate within seven (7) days; and
- 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.



All securities investments present a risk of loss of capital. The Investment Advisor, BIMl, moderates this risk through a careful selection of securities and other fixed-income financial instruments within specified limits. The Fund's overall market positions are monitored on a daily basis by the Fund Manager and are reviewed on a quarterly basis by the BOD.

#### Minimum Capital Requirement

Pursuant to the Investment Company Act of 1960, the Fund's minimum capital requirement is ₱50.00 million. As of December 31, 2022 and 2021, the Fund is in compliance with the capital requirement. The Fund's capital, as provided in the statements of changes in equity, comprises its capital stock, additional paid-in capital and retained earnings.

#### Regulatory Framework

The operations of the Fund are subject to the regulatory requirements of the SEC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions.

Pursuant to the governing rules and regulations of the SEC, the Fund shall not invest in any of the following:

- Margin purchases of securities;
- Commodity futures contracts;
- Precious metals;
- Unlimited liability instruments;

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### 13. Interest Income

This account consists of:

	2022	2021	2020
Investment securities at amortized cost (Note 9)	<b>₱1,670,789</b>	₱1,889,143	₱2,566,078
Short-term placements (Note 6)	<b>159,775</b>	11,039	80,081
	<b>₱1,830,564</b>	₱1,900,182	₱2,646,159

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### 14. Income Taxes

Provision for income tax pertains to the 15% final withholding tax on gross interest income from foreign currency denominated unit (FCDU) bank deposits short-term placements and investments and 20.00% final withholding tax on gross interest income from peso-denominated bank deposits, short-term placements and investment securities at amortized cost.

The provision for income tax consists of final tax amounting to ₱0.28 million, ₱0.31 million and ₱0.34 million in 2022, 2021 and 2020, respectively.

Unrecognized deferred tax assets on NOLCO amounted to ₱2.22 million and ₱2.32 million as of December 31, 2022 and 2021, respectively. Management believes that the benefits from the temporary differences may not be realized.



On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2021, the Fund has incurred NOLCO before taxable year 2021 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years. The Fund has also incurred NOLCO in taxable year 2021 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act.

Details of the Fund’s NOLCO follow:

Inception Year	Amount	Expired	Balance	Expiry Year
2019	₱3,264,639	₱3,264,639	₱-	2022
2020	2,619,533	-	2,619,533	2023
2021	3,393,512	-	3,393,512	2024
2022	2,851,870	-	2,851,870	2025
	₱12,129,554	₱3,264,639	₱8,864,915	

A reconciliation of the statutory income tax to effective income tax follows:

	2022	2021	2020
Statutory income tax	(₱1,695,665)	(₱88,296)	(₱586,336)
Tax effects of:			
Non-deductible expenses	-	183,041	1,000,034
Movement in unrecognized deferred taxes	712,967	848,379	785,860
Tax-exempt income	(445,943)	(570,191)	(610,273)
Income subjected to final tax, net of tax paid	(66,269)	(63,512)	(252,976)
Non-taxable income	1,772,695	-	-
Effective income tax	₱277,785	₱309,421	₱336,309

## 15. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

The following parties are considered related parties to the Fund:

### *Fund manager and investment advisor - BIMI*

The assets of the Fund are being managed by BIMI as the Fund Manager/Principal Distributor and Investment Advisor in accordance with the Investment Company Act (R.A. No. 2629) set by SEC and its investment policy approved by the BOD of the Fund.



As Investment Advisor, BIMI shall provide the Fund with investment research, advice, assistance and investment recommendations as required by the Fund and deemed helpful in the formulation of the Fund's investment strategies and guidelines. Unless sooner terminated in writing by parties, the Agreement with BIMI shall remain in full force and effect for a period of two (2) years and shall be deemed automatically renewed for the succeeding year on each anniversary date unless expressly terminated at the instance of either party upon the service of at least thirty (30) days prior written notice by one party to the other.

Accordingly, BIMI are entitled to a management and advisory fee of not more than two percent (2.00%) per annum based on the average NAV of the Fund, or a minimum annual fee of ₱0.10 million, whichever is higher.

The Fund's transactions with related parties in 2022, 2021 and 2020 and the related outstanding balances follow:

Related Party	Account	Elements of Transactions				
		Statements of Financial Position		Statements of Comprehensive Income		
		2022	2021	2022	2021	2020
BIMI	Accrued expenses*	₱149,589	₱215,126	₱-	₱-	₱-
	Management and professional fees	-	-	2,627,433	2,952,494	2,909,072

\*Due the following month, non-interest bearing and unsecured

Transactions with related parties are done at arm's length and are normally settled in cash.

#### BOD

The members of the Board will each receive a fee amounting to ₱3,000 for every regular meeting and ₱1,200 for every special meeting attended. There are no other standards or consulting arrangements nor any compensatory plan relating to resignation/retirement by which directors and officers are to be compensated other than that previously stated. The BOD members received total remuneration of ₱34,155, ₱4,320 and ₱33,000 in 2022, 2021 and 2020, respectively.

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

#### 16. Basic Loss Per Share

Loss per share for the years ended December 31, 2022, 2021 and 2020 is computed as follows:

	2022	2021	2020
Net investment loss	(₱7,060,447)	(₱662,605)	(₱2,290,761)
Weighted average number of shares outstanding	69,119,453	71,020,276	74,930,319
Basic loss per share	(₱0.1021)	(₱0.0093)	(₱0.0306)

As of December 31, 2022, 2021 and 2020, there were no outstanding dilutive potential shares.



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**17. Notes to Statements of Cash Flows**

There are no significant non-cash transactions of the Fund as of December 31, 2022 and 2021.

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**18. Supplementary Information Required Under Revenue Regulations (RR) 15-2010**

The Fund reported and/or paid the following types of taxes for the year:

Taxes and Licenses

This includes all other taxes, documentary stamp tax, and local tax, including licenses and permit fees lodged under 'Taxes and licenses' account in the Fund's statement of comprehensive income:

Business permit	₱23,777
Community tax certificate	2,247
Other fees	20,879
	<hr/>
	₱46,903

Withholding Taxes

Expanded withholding taxes in 2022 amounted to ₱433,222 and outstanding balance amounted to ₱33,806 as of December 31, 2022.

Tax Assessments and Cases

The Fund has no on-going tax assessments and cases as of December 31, 2022.



**Solidaritas Fund, Inc.**  
*(formerly Bahay Pari Solidaritas Fund  
Inc.)*  
*(An Open-End Investment Company)*

Financial Statements  
December 31, 2022 and 2021  
and Years Ended December 31, 2022, 2021  
and 2020

and

Independent Auditor's Report



A member firm of Ernst & Young Global Limited



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Solidaritas Fund, Inc.

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Solidaritas Fund, Inc. (an Open-End Investment Company) (the "Fund"), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 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 (PFRSs).

#### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 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.



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 PSAs 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.

As part of an audit in accordance with PSAs, 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.



**Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 18 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Solidaritas Fund, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

*Redginald G. Radam*

Redginald G. Radam

Partner

CPA Certificate No. 118866

Tax Identification No. 249-000-259

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 118866-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-141-2021, April 27, 2021, valid until April 26, 2024

PTR No. 9564682, January 3, 2023, Makati City

May 25, 2023



**SOLIDARITAS FUND, INC.** (formerly Bahay Pari Solidaritas Fund Inc.)  
**(An Open-End Investment Company)**

**STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash and cash equivalents (Note 6)	<b>₱8,768,996</b>	₱3,911,664
Financial assets at fair value through profit or loss (Note 7)	<b>85,728,334</b>	99,646,370
Receivables (Note 8)	<b>1,595,067</b>	417,188
Investment securities at amortized cost (Note 9)	<b>43,566,455</b>	45,000,000
<b>TOTAL ASSETS</b>	<b>₱139,658,852</b>	₱148,975,222
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses (Note 10)	<b>₱2,348,656</b>	₱707,726
<b>EQUITY</b>		
Capital stock (Note 12)	<b>₱69,119,453</b>	71,020,276
Additional paid-in capital	<b>48,380,756</b>	49,082,701
Retained earnings	<b>19,809,987</b>	28,164,519
	<b>₱137,310,196</b>	148,267,496
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱139,658,852</b>	₱148,975,222
<b>Net Asset Value Per Share</b> (Note 12)	<b>₱1.9866</b>	₱2.0877

*See accompanying Notes to Financial Statements.*



**SOLIDARITAS FUND, INC. (formerly Bahay Pari Solidaritas Fund Inc.)**  
**(An Open-End Investment Company)**

**STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Years Ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>INVESTMENT INCOME</b>			
Trading (loss) on financial assets at FVTPL - net (Note 7)	<b>(P7,091,692)</b>	(P735,012)	(P3,333,266)
Dividend income (Note 7)	<b>1,783,773</b>	2,280,764	2,034,243
Interest income (Note 13)	<b>1,830,564</b>	1,900,182	2,646,159
Gain (loss) on foreign exchange – net (Note 6)	<b>12,491</b>	(397,251)	235,497
Miscellaneous	<b>–</b>	–	196
	<b>(3,464,864)</b>	3,048,683	1,582,829
<b>EXPENSES</b>			
Management and professional fees (Note 15)	<b>2,917,043</b>	3,255,768	3,178,572
Taxes and licenses	<b>46,903</b>	30,771	75,964
Directors' fees (Note 15)	<b>34,155</b>	4,320	33,000
Miscellaneous	<b>319,697</b>	111,008	249,745
	<b>3,317,798</b>	3,401,867	3,537,281
<b>INVESTMENT INCOME (LOSS) BEFORE TAX</b>	<b>(6,782,662)</b>	(353,184)	(1,954,452)
<b>PROVISION FOR INCOME TAX</b> (Note 14)	<b>277,785</b>	309,421	336,309
<b>TOTAL COMPREHENSIVE INCOME (LOSS)*</b>	<b>(7,060,447)</b>	(P662,605)	(P2,290,761)
<b>Basic Loss per Share</b> (Note 16)	<b>(P0.1021)</b>	(P0.0093)	(P0.0306)

\*The Fund has no other comprehensive income items.  
See accompanying Notes to Financial Statements.



**SOLIDARITAS FUND, INC. (formerly Bahay Pari Solidaritas Fund Inc.)**  
 (An Open-End Investment Company)

**STATEMENTS OF CHANGES IN EQUITY**

	Number of Shares Outstanding (Note 12)	Capital Stock (Note 12)	Additional Paid-in Capital	Retained Earnings	Total Equity
Balances at January 1, 2022	71,020,276	₱71,020,276	₱49,082,701	₱28,164,519	₱148,267,496
Shares issued during the year	1,822,955	1,822,955	1,885,392	—	3,708,347
Shares redeemed during the year	(3,723,778)	(3,723,778)	(2,587,336)	(1,294,084)	(7,605,197)
Total comprehensive loss	—	—	—	(7,060,447)	(7,060,448)
<b>Balances at December 31, 2022</b>	<b>69,119,453</b>	<b>₱69,119,453</b>	<b>₱48,350,757</b>	<b>₱19,809,988</b>	<b>₱137,310,198</b>
Balances at January 1, 2021	74,239,693	₱74,239,693	₱51,178,404	₱29,825,829	₱155,243,926
Shares issued during the year	322,608	322,608	348,992	—	671,600
Shares redeemed during the year	(3,542,025)	(3,542,025)	(2,444,695)	(998,705)	(6,985,425)
Total comprehensive loss	—	—	—	(662,605)	(662,605)
<b>Balances at December 31, 2021</b>	<b>71,020,276</b>	<b>₱71,020,276</b>	<b>₱49,082,701</b>	<b>₱28,164,519</b>	<b>₱148,267,496</b>
Balances at January 1, 2020	76,157,920	₱76,157,920	₱51,305,887	₱34,153,856	₱161,617,663
Shares issued during the year	3,127,594	3,127,594	3,301,596	—	6,429,190
Shares redeemed during the year	(5,045,821)	(5,045,821)	(3,429,079)	(2,037,266)	(10,512,166)
Total comprehensive loss	—	—	—	(2,290,761)	(2,290,761)
<b>Balances at December 31, 2020</b>	<b>74,239,693</b>	<b>₱74,239,693</b>	<b>₱51,178,404</b>	<b>₱29,825,829</b>	<b>₱155,243,926</b>

See accompanying Notes to Financial Statements.



**SOLIDARITAS FUND, INC.** (formerly *Bahay Pari Solidaritas Fund Inc.*)  
(An Open-End Investment Company)

**STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Investment income (loss) before tax	(₱6,782,662)	(₱353,184)	(₱1,954,452)
Adjustments for:			
Unrealized (gain) loss on financial assets at FVTPL– net (Note 7)	1,900,270	(1,061,770)	(965,000)
Amortization of premium on investment securities at amortized cost	(4)	77	9,355
Changes in operating assets and liabilities:			
Decrease (increase) in the amounts of:			
Financial assets at FVTPL	12,017,766	10,592,601	(8,400,696)
Receivables	(1,177,879)	754,678	(754,109)
Increase (decrease) in accounts payable and accrued expenses	1,640,930	172,193	(83,242)
Net cash generated from (used in) operations	7,598,421	10,104,595	(12,148,144)
Income taxes paid	(277,785)	(309,421)	(336,309)
Net cash provided by (used in) operating activities	7,320,636	9,795,174	(12,484,453)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from:			
Maturity of investment in securities at amortized cost (Note 9)	35,000,000	23,999,922	28,192,000
Acquisition of:			
Investment in securities at amortized cost (Note 9)	(33,566,454)	(25,000,000)	(24,000,000)
Net cash provided by (used in) investing activities	1,433,546	(1,000,078)	4,192,000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments for share redemptions	(7,605,197)	(6,985,425)	(10,512,166)
Proceeds from share issuances	3,708,347	671,600	6,429,190
Net cash used in financing activities	(3,896,850)	(6,313,825)	(4,082,976)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>4,857,332</b>	<b>2,481,271</b>	<b>(12,375,429)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>3,911,664</b>	<b>1,430,393</b>	<b>13,805,822</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> (Note 6)	<b>₱8,768,996</b>	<b>₱3,911,664</b>	<b>₱1,430,393</b>
<b>OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS</b>			
Dividends received from equity securities	₱1,785,528	₱2,281,663	₱2,034,243
Interest received	1,865,608	1,898,652	2,840,142

See accompanying Notes to Financial Statements.



**SOLIDARITAS FUND, INC. (formerly Bahay Pari Solidaritas Fund Inc.)**  
**(An Open-End Investment Company)**

**NOTES TO FINANCIAL STATEMENTS**

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**1. Corporate Information**

Solidaritas Fund, Inc. (the “Fund”) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on March 10, 2008 as an open-end investment company (or “Mutual Fund”) under the Philippine Investment Company Act. The corporate term for which the fund is to exist is 50 years from and after the date of its incorporation. The Fund is engaged in selling its shares to the public and investing the proceeds in a mix of high-quality debt and equity securities such as bonds, commercial papers and other money market instruments, and common and preferred shares. As an open-end investment company, it stands ready at any time to redeem its outstanding capital stock at net asset value (NAV) per share. The Fund subsequently commenced its operations on March 25, 2008.

On July 17, 2017, the Fund’s Board of Directors (BOD) and shareholders approved an amendment in the Articles of Incorporation to change the Fund’s name from Bahay Pari Solidaritas Fund, Inc. to Solidaritas Fund, Inc.

The SEC approved the change in company name on April 13, 2018.

The investment objective of the Fund is to provide long-term capital appreciation through investments in a diversified portfolio of equity and fixed-income securities. BPI Investment Management, Inc. (BIMI) employs an active management strategy for the Fund. To achieve returns that are aimed to outperform the chosen benchmark, BIMI adopts active stock selection, asset allocation and market timing strategies.

The Fund’s principal place of business is located at 19<sup>th</sup> Floor, BPI Buendia Center, Sen Gil Puyat Ave., Makati City.

The accompanying financial statements were authorized for issue by the Board of Directors (BOD) on May 25, 2023.

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**2. Summary of Significant Accounting Policies**

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), which have been measured at fair value. The financial statements are presented in Philippine Peso (₱ or “PHP” or “Peso”), the Fund’s functional currency. The amounts in the financial statements are rounded off to the nearest peso, unless otherwise stated.

Statement of Compliance

The accompanying financial statements of the Fund have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).





### New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Fund.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*



The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

#### Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Fund intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the financial statements.

##### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

##### *Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

##### *Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

##### *Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*



## **Significant Accounting Policies**

### Cash and Cash Equivalents

Cash includes cash in bank. Cash equivalents are short-term, highly liquid placements that are readily convertible to known amounts of cash and with original maturities of three months or less from dates of placement and which are subject to an insignificant risk of changes in value.

### Financial Instruments

#### *Date of recognition*

The Fund recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

#### *Initial recognition of financial instruments*

All financial instruments are initially recognized at fair value. Except for financial assets and liabilities at FVTPL, the initial measurement of financial assets and liabilities includes transaction costs.

#### *Determination of fair value*

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions (that is, an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (that is, using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (that is, discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable



For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each statement of financial position date.

*'Day 1' difference*

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Fund recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Fund determines the appropriate method of recognizing the 'Day 1' difference amount.

*Classification and Subsequent Measurement of financial instruments*

*Classification of financial assets*

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Fund's business model for managing financial assets. The Fund classifies its financial assets into the following categories: financial assets at FVTPL, financial assets at fair value through other comprehensive income (FVOCI) and financial assets measured at amortized cost.

*Contractual cash flows characteristics*

The Fund assesses whether the cash flows from the financial asset represent solely payment of principal and interest (SPPI) on the principal amount outstanding. Instruments with cash flows that do not represent as such are classified at FVTPL.

In making this assessment, the Fund determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

*Business model*

The Fund's business model does not depend on management's intentions for an individual instrument, rather it refers to how it manages its group of financial assets in order to generate cash flows (i.e. collecting contractual cash flows, selling financial assets or both).

Relevant factors considered by the Fund in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Fund's key management personnel. The Fund also considers the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers, if any, of the business are compensated.

As of December 31, 2022 and 2021, the Fund has no financial assets at FVOCI.



*Financial assets at FVTPL*

Debt financial assets that do not meet the amortized cost criteria, or that meet the criteria but the Fund has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss.

Equity investments are classified as at FVTPL, unless the Fund designates an investment that is not held for trading as at FVOCI at initial recognition.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Fund manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

The Fund's financial assets at FVTPL include equity securities held for trading purposes and Investment in mutual funds.

Financial assets at FVTPL are recorded in the statement of financial position at fair value, with changes in the fair value included under the 'Unrealized gain (loss) on financial assets at FVTPL-net' account in profit or loss in the statement of comprehensive income. Interest earned is reported in the profit or loss under 'Interest income' while dividend income is reported in profit or loss in the statement of comprehensive income under 'Dividend income' when the right to receive payment has been established.

*Financial assets at amortized cost*

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

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

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are integral part of the EIR. The amortization is included in 'Interest income' in profit or loss in the statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset. The Fund's financial assets at amortized cost consist of 'Cash and cash equivalents', 'Receivables', and 'Investment securities at amortized cost'.

*Reclassifications of financial instruments*

The Fund reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Fund and any previously recognized gains, losses or interest shall not be restated.



*Financial liabilities at amortized cost*

Issued financial instruments or their components, which are not designated at FVTPL, are classified as financial liabilities at amortized cost. After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR method.

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. This policy applies to 'Accounts payable and other accrued expenses' of the Fund.

As of December 31, 2022 and 2021, the Fund has no financial liabilities at FVTPL.

Derecognition of Financial Assets and Liabilities

*Financial asset*

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Fund has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control over the asset.

Where the Fund has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Fund's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

*Financial liability*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

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 the statement of comprehensive income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Fund assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event.



## Impairment of Financial Assets

### *Expected credit loss*

PFRS 9 requires the Fund to record expected credit losses (ECL) for all receivables and other debt financial assets not classified as FVTPL, together with loan commitments and financial guarantee contracts.

### *Expected credit loss methodology*

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of the financial asset.

### *Definition of default*

Generally, the Fund defines a financial asset as in default for purposes of calculating ECL when the contractual payments are past due for more than 30 days. As part of the qualitative assessment, the Fund also considers a variety of instances that may indicate unlikelihood to pay to determine if a counterparty has defaulted.

### *SICR*

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Fund's aging information, the borrower becomes past due for over 30 days. Further, the Fund assumes that the credit risk of a financial asset, particularly on cash and equivalents, short-term investments and investment securities at amortized cost, has not increased significantly since origination if the financial asset is determined to have "low credit risk" as of the reporting date. A financial asset is considered "low credit risk" when it has an external rating equivalent to "investment grade".

In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Fund shall revert to recognizing a 12-month ECL.

### *Staging assessment*

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired debt financial assets which have not experienced a SICR since initial recognition. The criteria for determining whether a debt financial asset should be assessed under stage 1 are as follows: (i) borrower risk rating (BRR) is within the range of 1.1-6.2 based on the Fund's internal credit rating (i.e., equivalent to investment grade) as of reporting period; or (ii) external credit rating is investment grade as of cut-off date. The Fund recognizes a 12-month ECL for Stage 1 debt financial assets.
- Stage 2 is comprised of all non-impaired debt financial assets which have experienced a SICR since initial recognition. A SICR is generally deemed present in debt financial assets when: (i) their credit ratings have been migrated to BRR of 6.3 that is based on the Fund's internal credit rating (i.e., equivalent to non-investment grade); or (ii) their external credit rating has downgraded to non-investment grade as of cut-off date. The Fund recognizes a lifetime ECL for Stage 2 debt financial assets.



For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment.

*ECL parameters and methodologies*

For financial assets such as 'Cash and cash equivalents', receivables and private debt securities classified under 'Investment securities at amortized cost', the Fund applied the general approach in measuring ECL that considers assessment of significant increase in credit risk and adjustments for forward-looking information.

*Forward looking information*

A range of economic overlays are considered and expert credit judgment is applied in determining the forward-looking inputs to the ECL calculation. A broad range of forward-looking information are considered as economic outputs such as G20 Real Gross Domestic Product (GDP), USD Treasury Rates, DXY Dollar Index and CitiWorld Global Index. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

*Write-off policy*

The Fund writes off its financial assets when it has been established that all efforts to collect and/or recover the loss has been exhausted. This may include the other party being insolvent, deceased or the obligation being unenforceable.

Revenue Recognition (under PFRS 15)

The Fund is primarily engaged in selling its shares to the public and investing the proceeds in a mix of high-quality debt and equity securities such as bonds, commercial papers and other money market instruments, and common and preferred shares.

To account for the revenues arising from contracts with customers, the Fund applies the following five step model:

- a. Identify the contract(s) with a customer
- b. Identify the performance obligations in the contract
- c. Determine the transaction price
- d. Allocate the transaction price to the performance obligations in the contract
- e. Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Fund expects to be entitled in exchange for those goods or services. The Fund has generally concluded that it is the principal in its revenue arrangements.

Revenue Recognition (outside the scope of PFRS 15)

*Trading gain (loss) on financial assets at FVTPL - net*

'Trading gain (loss) on financial assets at FVTPL- net' represent results arising from trading activities including all gains and losses from changes in fair value and disposals of financial assets at FVTPL.

*Dividend income*

Dividend income is recognized when the Fund's right to receive payment is established.

*Interest income*





Interest income is recognized in profit or loss in the statement of comprehensive income as it accrues, taking into account the effective yield of the asset. Interest income includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an EIR basis.

#### Expense Recognition

Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized when incurred.

#### Income Taxes

##### *Current taxes*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. Tax rates and tax laws used to compute the amount are those are enacted or substantively enacted as at the statement of financial position date.

Effective January 1, 2019, the Fund periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

##### *Deferred taxes*

Deferred tax is provided, using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and carryforward of unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rate applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Current tax and deferred tax relating to items recognized directly in equity are recognized directly in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same tax authority.

#### Net Asset Value (NAV) per Share

NAV per share is computed by dividing net assets (total assets less total liabilities) by the total number of outstanding redeemable shares as of the statement of financial position date.



#### Capital Stock Transaction

The Fund's redeemable shares have the following features, which qualify them as puttable instruments classified as equity instruments:

- The shares entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The shares are in the class of instruments that is subordinate to all other classes of instruments.
- All shares in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's right to a pro rata share of the Fund's net assets.
- The total expected cash flows attributable to the shares over their life are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

Further, the Fund does not have other financial instruments or contracts that have:

- Total cash flows based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund; and
- The effect of substantially restricting or fixing the residual return to the puttable instruments' holders.

The Fund continuously assesses the classification of the redeemable shares. If the redeemable shares cease to have all the features or meet the conditions stated above, the Fund will reclassify the shares as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognized in equity. If the redeemable shares subsequently have all the features and meet the above conditions, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of reclassification.

The issuance, acquisition and resale of redeemable shares are accounted for as equity transactions. Upon issuance of shares (or sale of treasury shares), the consideration received is included in equity. Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale or issuance or cancellation of the Fund's own equity instruments. Redemptions are recorded as charges against equity.

Transaction costs incurred by the Fund in issuing, acquiring or selling its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

#### Retained earnings

The amounts in retained earnings include accumulated investment income of previous periods reduced by excess of redemption cost over the original selling price of redeemed shares.

#### Dividend Distribution

Dividend distributions are at the discretion of the Fund. A dividend distribution to the Fund's shareholders is accounted for as a deduction from retained earnings. A proposed dividend is recognized as a liability in the period in which it is approved by the shareholders.



#### Earnings per Share (EPS)

Basic EPS is calculated by dividing the net investment income by the weighted average number of shares outstanding during the period after giving retroactive effect to stock dividends declared and stock rights exercised during the period, if any. The Fund does not have dilutive potential common shares.

#### Provisions

Provisions are recognized when the Fund has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### Contingencies

Contingent assets are not recognized but are disclosed in the notes to financial statements when an inflow of economic benefits is probable. Contingent liabilities are not recognized in the financial statements, but are disclosed in the notes to financial statements, unless the possibility of an outflow of resources embodying benefits is remote.

#### Events after the Reporting Period

Post year-end events that provide additional information about the Fund's financial position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post year-end events that are non-adjusting events, if any, are disclosed in the notes to financial statements when material.

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### 3. Significant Judgment and Estimate

As of December 31, 2022 and 2021, the preparation of the Fund's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates 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. As of December 31, 2022 and 2021, the Fund has not made significant estimates in the preparation of the financial statements.

#### Judgments

In the process of applying Fund's accounting policies, the Fund has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

*a. Testing the cash flow characteristics of financial assets*

In determining the classification of financial assets under PFRS 9, the Fund assesses whether the contractual terms (e.g., substance of prepayment option, variability of interest, substance of extension option, etc.) of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding, other basic lending risks and costs as well as profit margin.

*b. Evaluation of business model in managing financial instruments*

The Fund developed business models which reflect how it manages its portfolio of financial instruments. The Fund's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that



are managed together by the Fund) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Fund evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Fund.

*c. Classification of shares as equity or liability*

The Fund continuously assesses whether all of the conditions indicated in its accounting policy on Capital Stock and Redeemable Shares (Note 2) are met by the redeemable shares it issues to retain the classification of the shares as equity instruments.

In applying its judgment, management considers the rights and claims of each shareholder embedded in the shares issued, the type and features of issued shares including the terms of any contractual obligation, and the basis for the cash flows attributable to the entirety of the term of the shares.

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#### 4. Financial Risk Management Objectives and Policies

The Fund's activities are exposed to a variety of financial risks: credit risk, liquidity risk, and market risk, which includes currency risk, fair value interest rate risk, price risk and cash flow interest rate 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 Fund is exposed to financial risks through its financial instruments. The principal financial assets of the Fund are cash and cash equivalents, short-term investments, financial assets at FVTPL, receivables and investment securities at amortized cost. These risks arise from open positions in interest rate and equity products, all of which are exposed to general and specific market movements.

##### Nature of Risks and Risk Management Objectives and Policies

The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects of such unpredictability on the Fund's financial performance.

The Fund is governed by the provisions in its prospectus that incorporates relevant investment rules and regulations by regulators such as the Investment Company Act (ICA) and the SEC, among others.

Specifically, the Fund primarily invests in equity securities, however, as a tactical move, a portion of the Fund may also be invested in government securities and in SEC-registered commercial papers but taking precautions of the market conditions, the level of interest rates, and of liquidity needs.

Moreover, the Fund's investment activities are also guided by the following limits/conditions:

- Under ICA Rule 35-1, the maximum investment in any single enterprise shall not exceed an amount equivalent to fifteen percent (15.00%) of the Fund's NAV except obligations of the Philippine Government and its instrumentalities, nor shall the total investment of the Fund exceed ten percent (10.00%) of the outstanding securities of any one investee company.
- Investments to margin purchases of securities, commodity futures contracts, precious metals, unlimited liability instruments, and short selling of currencies and securities are not allowed.
- The Fund shall not incur any further debt or borrowing unless at the time of its incurrence or immediately thereafter there is an asset coverage of at least three hundred percent (300.00%) for



all borrowings of the Fund. Provided, however, that in the event that such asset coverage shall at any time fall below three hundred percent (300.00%), the Fund shall within three (3) days thereafter, reduce the amount of its borrowings to an extent that the asset coverage of such borrowings shall be at least three hundred percent (300.00%).

- The Fund shall not purchase from, or sell to any of its officers or directors or the officers or directors of its Fund Manager, their managers or distributors or firms of which any of them are members, any security other than those of the Fund's own capital stock.

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. This includes the risk that the Fund's investment in government and private debt securities will decline as the bond issuer may not be able to pay its debt upon interest payments and maturity.

*Maximum exposure to credit risk*

The Fund trades only with recognized, creditworthy third parties and monitors the creditworthiness of these counterparties by reviewing their credit ratings and financial statements on a regular basis. The Fund's maximum exposure to credit risk, without taking into account any collateral held or other credit enhancements, equals the carrying values of financial assets.

*Risk concentration of the maximum exposure to credit risk.*

The Fund monitors concentration of counterparty credit risk by industry. An analysis of concentrations of credit risk at the statement of financial position date is shown below:

	Cash and cash equivalents	Receivables	Investment securities at amortized cost	Total
Financial intermediaries	₱8,768,996	₱122,134	₱10,600,000	19,491,131
Government	—	29,028	—	21,995,482
Energy	—	98,588	10,000,000	10,098,588
Holding firm	—	573,775	1,000,000	1,573,775
Property	—	27,889	4,900,000	
Retail	—	762,087	—	762,088
Services	—	—	—	
Transportation	—	—	—	
Food & Beverages	—	9,456	—	9,456
	<b>8,768,996</b>	<b>1,595,067</b>	<b>43,566,455</b>	<b>53,930,518</b>

\*Excluding financial assets at FVTPL

	2021			
	Cash and cash equivalents	Receivables	Investment securities at amortized cost	Total
Financial intermediaries	₱3,911,664	₱132,255	₱35,000,000	₱39,043,919
Energy	—	156,366	10,000,000	10,156,366
Holding firm	—	81,635	—	81,635
Property	—	46,932	—	46,932
	<b>₱3,911,664</b>	<b>₱417,188</b>	<b>₱45,000,000</b>	<b>₱49,328,852</b>

\*Excluding financial assets at FVTPL

Credit risk is likewise minimized through diversification or by investing in a variety of investments belonging to different sectors or industries. A credit analysis is a standard operational procedure in order to assess the credit quality and the credit worthiness of the counterparty. Transactions may also



be structured to include collateralization or various credit enhancements when necessary. Credit exposures are closely monitored so as to ensure that payments are made on time. No collateral was held against investment securities as of December 31, 2022 and 2021.

The Fund adopted the internal credit rating process of its Investment Advisor, BIMI, in assessing the credit quality of the Fund's investments. In addition, BIMI considers credit ratings by other agencies such as Standard & Poors, and Moody's and Fitch. The Fund Manager reviews the credit ratings and ensures that assets are of high quality to minimize this type of risk. Investments undergo a strict approval process especially for corporate issues.

Presented below is the mapping of the credit risk rating from external rating agencies to the Fund's internal risk rating for investment securities:

Agency	Prime	High Grade			Upper Medium Grade			Low Medium Grade		
S&P	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
Moody's	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
Fitch	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
PhilRatings	AAA	AA+	Aa	Aa-	A+	A	A-	Baa+	Baa	Baa-

Agency	Non-investment Grade Speculative			Substandard Grade			Substantial Risk to In default	
S&P	BB+	BB	BB-	B+	B	B-	Below B-	
Moody's	Ba1	Ba2	Ba3	B1	B2	B3	Below B3	
Fitch	BB+	BB	BB-	B+	B	B-	Below B-	
PhilRatings	Ba+	Ba	Ba-	B+	B	B-	Below B-	

The tables below show the credit quality by class of financial assets of the Fund:

2022							
	Prime	High grade	Upper Medium Grade	Low Medium Grade	Unrated	Total	
Cash and cash equivalents	P-	P	P-	P8,768,996	P-	P8,768,996	
Receivables	620,855	61,465	-	122,134	790,612	1,595,066	
Financial Assets at FVTPL							
Investment securities at amortized cost	11,000,000		-	10,600,000	21,966,454	43,566,455	
	P11,620,855	P61,465	P-	P19,491,130	P22,757,06	6	53,930,516

2021							
	Prime	High grade	Upper Medium Grade	Low Medium Grade	Unrated	Total	
Cash and cash equivalents	P-	P-	P-	P3,911,664	P-	P3,911,664	
Receivables	232,846	126,564	-	57,778	-	417,188	
Investment securities at amortized cost	10,000,000	25,000,000	-	10,000,000	-	45,000,000	
	P10,232,846	P25,126,564	P-	P13,969,442	P-	P49,328,852	

The internal credit rating ranges from '1' to '10', with '1' being the highest. An internal credit rating of '1' means that there is a low probability of going into default in the coming year, high degree of stability and diversity. Cash and cash equivalents and accrued interest receivable are considered low-risk investments since counterparties of the Fund as of December 31, 2022 and 2021 are limited only to banks in the Philippines with good standing. All financial assets above are assessed as Stage 1 financial assets.

#### Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with the financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated. This risk also includes the risk that the investments of the Fund cannot be sold or converted into cash within a reasonable time or in instances where sale or conversion is possible but not at a fair price.



To mitigate this risk, the Fund observes existing rules and regulations related to maintaining a certain percentage of the Fund's assets in liquid assets.

The Fund's policy prescribes that at least ten percent (10.00%) of its total assets is invested in any of the following:

- Treasury notes or bills, Bangko Sentral ng Pilipinas (BSP) Certificates of Indebtedness which are short-term, and other government securities or bonds and such other evidences of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines.
- Savings or time deposits with government-owned banks or commercial banks; provided that in no case shall any such savings or time deposits account be accepted or allowed under a 'bearer', 'numbered' account or other similar arrangement.

The Fund shall submit a liquidity contingency plan to the SEC before it implements a decrease investment of less than ten percent (10%) but not less than five percent (5%) in liquid/ semi- liquid assets. The Fund is also exposed to daily cash redemptions of its redeemable shares. It therefore invests majority of its assets in investments that are traded in an active market and can be readily disposed of. Further, payment for shares so redeemed shall be credited to the shareholder's settlement account with the receiving bank within seven (7) business days reckoned from the date the redemption request is received by the Fund. Due to the inherent nature of the Fund, however, where redemptions are funded by selling equity investments held by the Fund, there may be instances when the Fund may take longer to credit the proceeds of the redemptions especially in the absence of a liquid trading market for such index shares.

The Fund may suspend redemption or postpone the date of payment for redemptions in such cases when (i) normal trading is suspended on the Philippine Stock Exchange (PSE), or (ii) with the consent of the SEC. The Fund, however, shall not suspend the right of redemption or not postpone the date of payment or satisfaction upon redemption of any redeemable security for more than 7 banking days after the tender of such security to the Fund, except in the following cases:

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

#### *Financial assets*

Analysis of financial assets at FVTPL into maturity groupings is based on the expected date on which these assets will be realized. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the statement of financial position date to the contractual maturity date.

#### *Financial liabilities*

The maturity grouping is based on the remaining period from the end of the statement of financial reporting date to the contractual maturity date. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund can be required to pay.



The following tables show the maturity profile of the financial instruments, based on contractual undiscounted cash flows:

	2022						Total
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
<b>Financial assets</b>							
Cash and cash equivalents	₱156,115	₱8,612,881	₱-	₱-	₱-	₱-	₱8,768,996
<b>Financial assets at FVTPL:</b>							
Quoted equity securities	82,546,963	-	-	-	-	-	82,546,963
Investments in mutual funds	3,181,371	-	-	-	-	-	3,181,371
Receivables	-	1,595,067	-	-	-	-	1,595,067
<b>Investment securities at amortized cost</b>							
Government Securities		1,997,712				19,968,742	21,966,454
Private Securities*		76,279	341,266	626,105	312,732	21,737,255	23,093,637
	₱85,884,449	₱12,281,939	₱341,266	₱626,105	₱312,732	₱41,705,997	₱141,152,488
<b>Financial liabilities</b>							
Accounts payable and accrued expenses	₱2,322,258	-	-	-	-	-	₱2,322,258

\*Includes future interest

	2021						Total
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
<b>Financial assets</b>							
Cash and cash equivalents*	₱311,664	₱3,600,022	₱-	₱-	₱-	₱-	₱3,911,686
<b>Financial assets at FVTPL:</b>							
Quoted equity securities	90,062,660	-	-	-	-	-	90,062,660
Investments in mutual funds	9,583,710	-	-	-	-	-	9,583,710
Receivables	-	417,188	-	-	-	-	417,188
<b>Investment securities at amortized cost*</b>							
	-	25,116,311	221,366	219,199	10,312,732	10,762,719	46,632,327
	₱99,958,034	₱29,133,521	₱221,366	₱219,199	₱10,312,732	₱10,762,719	₱150,607,571
<b>Financial liabilities</b>							
Accounts payable and accrued expenses	₱669,762	₱-	₱-	₱-	₱-	₱-	₱669,763

\*Includes future interest

### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, foreign currency risk and other price risk, such as equity risk.

To properly manage price risk, various risk management methodologies are utilized to quantify the potential changes in the portfolio resulting from changes in security prices. Risk is, then, monitored and controlled through the establishment of equity exposure limits and tracking error. Investment portfolios are also subject to price risk stress testing on a periodic basis.

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund monitors exchange rates, and any trends and changes. Measures are adopted by the Fund to protect its financial assets and financial liabilities in the event there would be significant fluctuations in exchange rates. The Fund's exposure to the risk of changes in foreign exchange rates relates primarily to each entity's financial instruments denominated in currencies other than its functional currency. The Fund's foreign exchange risk results from movements of the PHP against the United States Dollar (\$) or "USD") of its financial assets and liabilities.

The closing rates used are as follows:

	2022	2021
PHP : USD	55.755	50.999





The Fund's exposure to foreign exchange risk as of December 31, 2022 and 2021 relates to its USD denominated cash in bank amounting to \$811 and \$3,664 respectively.

The following table demonstrates the sensitivity to a possible change in the PHP to USD with all variables held constant, of the Fund's income before tax (due to change in the fair value of monetary assets and liabilities):

Effect on income before tax USD	2022		2021	
	+9%	-9%	+1%	-1%
	₱4,070	(₱4,070)	₱1,869	(₱1,869)

The positive change pertains to the depreciation of PHP against USD and the negative change pertains to the appreciation of PHP against USD.

*Equity price risk*

The Fund's equity price risk emanates from its securities in proprietary account which are financial assets classified as at FVTPL in 2022 and 2021, respectively. The Fund measures the sensitivity of its investment securities by using PSE index (PSEi) fluctuations.

The impact of the reasonably possible changes in the PSEi on the Fund's income before income tax is as follows (amounts in millions):

	2022		2021	
	Percentage increase/decrease in PSEi	Effect on income before income tax	Percentage increase/decrease in PSEi	Effect on income before income tax
Increase	+14.98%	₱12.36	+18.63%	₱16.12
Decrease	-14.98%	(12.36)	-18.63%	(16.12)

## 5. Fair Value Measurement

As of December 31, 2022 and 2021, the carrying value of the Fund's financial assets and liabilities as reflected in the statements of financial position and related notes approximate their fair values as of the statement of financial position date except investment securities at amortized cost.

The following tables summarize the carrying amount and fair values of financial assets by level of fair value hierarchy of the Fund's financial assets that are measured at fair value and those for which fair values are required to be disclosed:

	2022				Total
	Carrying Values	Level 1	Level 2	Level 3	
<b>Assets measured at fair value</b>					
Financial assets at FVTPL					
Quoted equity securities	₱82,546,963	₱82,546,963	₱-	₱-	₱82,546,963
Investment in mutual funds	3,181,371	-	3,181,371	-	3,181,371
<b>Assets where fair value is disclosed</b>					
Investment securities at amortized cost	43,566,455	43,672,473	-	-	43,672,473
	₱129,294,789	₱126,219,436	₱3,181,371	₱-	₱129,400,807



	2021				Total
	Carrying Values	Level 1	Level 2	Level 3	
Assets measured at fair value					
Financial assets at FVTPL					
Quoted equity securities	₱90,062,660	₱90,062,660	₱-	₱-	90,062,660
Investment in mutual funds	9,583,710	-	9,583,710	-	9,583,710
Assets where fair value is disclosed					
Investment securities at amortized cost	45,000,000	44,885,524	-	-	44,885,524
	<b>₱144,646,370</b>	<b>₱134,948,184</b>	<b>₱9,583,710</b>	<b>₱-</b>	<b>₱144,531,893</b>

As of December 31, 2022 and 2021, there were no transfers made among the three levels in the fair value hierarchy.

The methods and assumptions used by the Fund in estimating the fair value of financial instruments are:

*Financial assets at FVTPL* – fair values are based on quoted market prices. For the Fund’s equity, fair value is determined based on published closing prices at the Philippine Stock Exchange (PSE). For investments in mutual funds, fair values are generally based on published prices, that is, NAV per share/units.

*Investment securities at amortized cost* - fair values are generally based on their quoted market prices.

## 6. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash in bank	<b>₱156,115</b>	₱311,664
Short-term placements	<b>8,612,881</b>	3,600,000
	<b>₱8,768,996</b>	<b>₱3,911,664</b>

Cash in bank consists of noninterest-bearing demand deposit account.

Short-term placements consist of investment in time deposit accounts with a local bank. These bear annual interest rates ranging from 1.00% to 4.40% in 2022, from 0.01% to 0.38% in 2021, and from 0.30% to 4.25% in 2020.

Interest income from short-term placements recognized in profit or loss amounted to ₱0.16 million, ₱0.01 million and ₱0.08 million in 2022, 2021 and 2020, respectively (see Note 13).

Unrealized foreign exchange gain (loss) from cash in bank and short-term placements amounted to ₱911 in 2022 ₱2,847 gain in 2021, and (₱180) loss in 2020.

Realized foreign exchange gain (loss) from cash in bank and short-term placements amounted to ₱11,580 in 2022, (₱400,098) in 2021 and ₱235,677 in 2020.



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## 7. Financial Assets at Fair Value Through Profit or Loss

This account consists of investments in:

	2022	2021
Quoted equity securities	<b>₱82,546,963</b>	₱90,062,660
Mutual funds	<b>3,181,371</b>	9,583,710
	<b>₱85,728,334</b>	₱99,646,370

Quoted equity securities pertain to publicly traded common and preferred shares of listed entities.

Dividend income earned from quoted equity securities amounted to ₱1.78 million, ₱2.28 million and ₱2.03 million in 2022, 2021 and 2020, respectively.

In 2022, 2021 and 2020, net trading gain (loss) on financial assets at FVTPL are as follows:

	2022	2021	2020
Trading loss from sold financial assets at FVTPL	<b>(₱5,191,422)</b>	(₱1,796,782)	(₱4,298,266)
Changes in fair value of outstanding financial assets at FVTPL	<b>(1,900,270)</b>	1,061,770	965,000
	<b>(₱7,091,692)</b>	(₱735,012)	(₱3,333,266)

As of December 31, 2022 and 2021, there are no investments under financial assets at FVTPL in a single enterprise that exceeded an amount equivalent to 15.00% of the Fund's net asset value.

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## 8. Receivables

This account consists of:

	2022	2021
Securities sold receivables	<b>₱1,261,610</b>	₱46,932
Accrued interest receivable	<b>253,577</b>	288,621
Dividend receivables	<b>79,880</b>	81,635
	<b>₱1,595,067</b>	₱417,188

Securities sold receivables pertain to equity securities sold by the Fund. This will be settled after three (3) working days from the trade date.

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## 9. Investment Securities at Amortized Cost

As of December 31, 2022 and 2021, this account consists of investments in corporate bonds with aggregate carrying amount of ₱21.60 million and ₱45.00 million, respectively. The Fund also invested in government bonds in 2022 which have carrying amount of ₱21.97 million as of December 31, 2022.

Investment securities at amortized cost with total face amount of ₱35.00 million and ₱24.00 million matured in 2022 and 2021, respectively.



Investment securities at amortized cost bear annual interest rates ranging from 1.90% to 6.25% in 2022, from 2.50% to 6.25% in 2021, and from 3.25% to 7.82% in 2020.

Interest income earned from investments in securities at amortized cost amounted to ₱1.67 million, ₱1.89 million and ₱2.57 million in 2022, 2021 and 2020, respectively (see Note 13).

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#### 10. Accounts Payable and Accrued Expenses

This account consists of:

	2022	2021
Accrued management and professional fees (Note 15)	₱428,268	₱513,270
Withholding tax payable	26,398	37,963
Payable for redeemed capital shares	864,155	-
Payable for purchased securities	1,029,835	156,493
	<b>₱2,348,656</b>	<b>₱707,726</b>

Payable for purchased securities pertains to equity securities bought by the Fund which will be settled after three (3) working days from the trade date.

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#### 11. Maturity Profile

All of the Fund's assets and liabilities are due to be realized and settled within one year from the respective reporting dates, except for investments in securities at amortized cost with carrying amount of ₱43.57 million and ₱10.00 million as of December 31, 2022 and 2021. These investment securities have average maturities of three (3) years as of December 31, 2022 and 2021.

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#### 12. Equity

As of December 31, 2022 and 2021, the Fund's capital stock consists of:

	2022	2021
Capital stock - ₱1 par value		
Authorized - 141,000,000 shares		
Issued and outstanding		
69,119,453 shares in 2022	₱69,119,453	
71,020,276 shares in 2021		₱71,020,276

The total expected cash outflow on redemption of all shares equals the Fund's equity. Issuance and resale of redeemable shares are based on NAV per share attributable to holders of redeemable shares.

On October 5, 2012, the stockholders approved the increase in authorized capital stock from ₱112.40 million divided into 112.40 million redeemable shares with par value of ₱1.00 per share to ₱500.00 million divided into 500 million redeemable shares with par value of ₱1.00 per share. On



August 2, 2013, the BOD approved to amend the first tranche of the increase in authorized capital stock of 28,600,000 shares.

The additional shares which was previously approved by the stockholders will increase the Fund's existing authorized capital stock from 112,400,000 shares to 141,000,000 shares. In January 2014, the Fund filed with the Philippine SEC for the increase its authorized capital stock.

Out of the proposed increase in authorized capital stock, 7,150,000 shares or 25% have been subscribed and paid at the total subscription amount of ₱13.98 million in 2013. On April 11, 2014, the Philippine SEC approved the increase in authorized capital stock. In 2015, the Fund has applied with the Philippine SEC for its authority to sell the additional shares of stock. As of December 31, 2017, the Fund has yet to receive the approval from the SEC.

On June 28, 2018, the SEC granted the Fund the authority to sell the additional shares of stocks. Thus, the deposit for future stock subscription amounting to ₱13.98 million was reclassified to capital stock at par and additional paid-in capital for the excess of subscription price over the par value.

The following presents the operational NAV per share:

	2022	2021	2020
Total equity	<b>₱137,310,196</b>	₱148,267,496	₱155,243,926
Number of shares outstanding	<b>69,119,453</b>	71,020,276	74,239,693
NAV per share	<b>₱1.9866</b>	₱2.0877	₱2.0911

#### Capital Management

The Fund's objective is to achieve long-term capital appreciation through investments in a diversified portfolio of equity and fixed income securities. The Fund seeks to provide a high level of current income as is consistent with the preservation of capital and liquidity.

The capital of the Fund is represented by total equity as shown in the statements of financial position. The Fund's total equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of shareholders. As mutual fund, the Fund stands ready to redeem shares from shareholders at any time upon the request of the latter at the prevailing NAV per share.

The Fund's objectives when managing capital are as follow:

- Safeguard the Fund's ability to continue as a going concern in order to provide returns for stakeholders;
- Maintain a strong capital base to support the development of the investment activities of the Fund; and
- Comply with the minimum subscribed and paid-in capital of ₱50.00 million required for investment companies under the Investment Company Act of 1960.

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

- Monitor the level of daily subscriptions and redemptions relative to the assets it expects to be able to liquidate within seven (7) days; and
- 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.



All securities investments present a risk of loss of capital. The Investment Advisor, BIMI, moderates this risk through a careful selection of securities and other fixed-income financial instruments within specified limits. The Fund's overall market positions are monitored on a daily basis by the Fund Manager and are reviewed on a quarterly basis by the BOD.

#### Minimum Capital Requirement

Pursuant to the Investment Company Act of 1960, the Fund's minimum capital requirement is ₱50.00 million. As of December 31, 2022 and 2021, the Fund is in compliance with the capital requirement. The Fund's capital, as provided in the statements of changes in equity, comprises its capital stock, additional paid-in capital and retained earnings.

#### Regulatory Framework

The operations of the Fund are subject to the regulatory requirements of the SEC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions.

Pursuant to the governing rules and regulations of the SEC, the Fund shall not invest in any of the following:

- Margin purchases of securities;
- Commodity futures contracts;
- Precious metals;
- Unlimited liability instruments;

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### 13. Interest Income

This account consists of:

	2022	2021	2020
Investment securities at amortized cost (Note 9)	₱1,670,789	₱1,889,143	₱2,566,078
Short-term placements (Note 6)	159,775	11,039	80,081
	<u>₱1,830,564</u>	<u>₱1,900,182</u>	<u>₱2,646,159</u>

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### 14. Income Taxes

Provision for income tax pertains to the 15% final withholding tax on gross interest income from foreign currency denominated unit (FCDU) bank deposits short-term placements and investments and 20.00% final withholding tax on gross interest income from peso-denominated bank deposits, short-term placements and investment securities at amortized cost.

The provision for income tax consists of final tax amounting to ₱0.28 million, ₱0.31 million and ₱0.34 million in 2022, 2021 and 2020, respectively.

Unrecognized deferred tax assets on NOLCO amounted to ₱2.22 million and ₱2.32 million as of December 31, 2022 and 2021, respectively. Management believes that the benefits from the temporary differences may not be realized.



On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2021, the Fund has incurred NOLCO before taxable year 2021 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years. The Fund has also incurred NOLCO in taxable year 2021 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act.

Details of the Fund’s NOLCO follow:

Inception Year	Amount	Expired	Balance	Expiry Year
2019	₱3,264,639	₱3,264,639	₱–	2022
2020	2,619,533	–	2,619,533	2023
2021	3,393,512	–	3,393,512	2024
2022	2,851,870	–	2,851,870	2025
	₱12,129,554	₱3,264,639	₱8,864,915	

A reconciliation of the statutory income tax to effective income tax follows:

	2022	2021	2020
Statutory income tax	(₱1,695,665)	(₱88,296)	(₱586,336)
Tax effects of:			
Non-deductible expenses	–	183,041	1,000,034
Movement in unrecognized deferred taxes	712,967	848,379	785,860
Tax-exempt income	(445,943)	(570,191)	(610,273)
Income subjected to final tax, net of tax paid	(66,269)	(63,512)	(252,976)
Non-taxable income	1,772,695	–	–
Effective income tax	₱277,785	₱309,421	₱336,309

## 15. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

The following parties are considered related parties to the Fund:

### *Fund manager and investment advisor - BIMi*

The assets of the Fund are being managed by BIMi as the Fund Manager/Principal Distributor and Investment Advisor in accordance with the Investment Company Act (R.A. No. 2629) set by SEC and its investment policy approved by the BOD of the Fund.



As Investment Advisor, BIMI shall provide the Fund with investment research, advice, assistance and investment recommendations as required by the Fund and deemed helpful in the formulation of the Fund's investment strategies and guidelines. Unless sooner terminated in writing by parties, the Agreement with BIMI shall remain in full force and effect for a period of two (2) years and shall be deemed automatically renewed for the succeeding year on each anniversary date unless expressly terminated at the instance of either party upon the service of at least thirty (30) days prior written notice by one party to the other.

Accordingly, BIMI are entitled to a management and advisory fee of not more than two percent (2.00%) per annum based on the average NAV of the Fund, or a minimum annual fee of ₱0.10 million, whichever is higher.

The Fund's transactions with related parties in 2022, 2021 and 2020 and the related outstanding balances follow:

Related Party	Account	Elements of Transactions				
		Statements of Financial Position		Statements of Comprehensive Income		
		2022	2021	2022	2021	2020
BIMI	Accrued expenses*	₱149,589	₱215,126	₱-	₱-	₱-
	Management and professional fees	-	-	2,627,433	2,952,494	2,909,072

\*Due the following month, non-interest bearing and unsecured

Transactions with related parties are done at arm's length and are normally settled in cash.

**BOD**

The members of the Board will each receive a fee amounting to ₱3,000 for every regular meeting and ₱1,200 for every special meeting attended. There are no other standards or consulting arrangements nor any compensatory plan relating to resignation/retirement by which directors and officers are to be compensated other than that previously stated. The BOD members received total remuneration of ₱34,155, ₱4,320 and ₱33,000 in 2022, 2021 and 2020, respectively.

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

**16. Basic Loss Per Share**

Loss per share for the years ended December 31, 2022, 2021 and 2020 is computed as follows:

	2022	2021	2020
Net investment loss	(₱7,060,447)	(₱662,605)	(₱2,290,761)
Weighted average number of shares outstanding	69,119,453	71,020,276	74,930,319
Basic loss per share	(₱0.1021)	(₱0.0093)	(₱0.0306)

As of December 31, 2022, 2021 and 2020, there were no outstanding dilutive potential shares.





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**17. Notes to Statements of Cash Flows**

There are no significant non-cash transactions of the Fund as of December 31, 2022 and 2021.

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**18. Supplementary Information Required Under Revenue Regulations (RR) 15-2010**

The Fund reported and/or paid the following types of taxes for the year:

Taxes and Licenses

This includes all other taxes, documentary stamp tax, and local tax, including licenses and permit fees lodged under 'Taxes and licenses' account in the Fund's statement of comprehensive income:

Business permit	₱23,777
Community tax certificate	2,247
Other fees	20,879
	<hr/>
	₱46,903

Withholding Taxes

Expanded withholding taxes in 2022 amounted to ₱433,222 and outstanding balance amounted to ₱33,806 as of December 31, 2022.

Tax Assessments and Cases

The Fund has no on-going tax assessments and cases as of December 31, 2022.



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

NAME OF CORPORATION: SOLIDARITAS FUND, INC.  
CURRENT ADDRESS: 19TH FLOOR, BPI BUILDING, AYALA AVENUE COR. PASEO DE ROXAS, MAKATI CITY  
TEL. NO.: (632) 580-3573 FAX NO.: (632) 580-4682  
COMPANY TYPE: INVESTMENT COMPANY PSIC: \_\_\_\_\_

**Table 1. Balance Sheet**

FINANCIAL DATA		2022 (in P'000)	2021 (in P'000)
<b>A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6)</b>		<b>139,659</b>	<b>148,975</b>
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)		96,092	103,975
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)		8,769	3,912
A.1.1.1 On hand			
A.1.1.2 In domestic banks/entities		8,769	3,912
A.1.1.3 In foreign banks/entities			
A.1.2 Financial Assets other than Cash/Trade Receivables/investments accounted for using the Equity Method (A.1.2.1 + A.1.2.2 + A.1.2.3 + A.1.2.4)		85,728	99,646
A.1.2.1 Short-term placements or investments in securities issued by domestic entities: (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4 + A.1.2.1.5)		0	0
A.1.2.1.1 National Government			
A.1.2.1.2 Public Financial Institutions		0	0
A.1.2.1.3 Public Non-Financial Institutions			
A.1.2.1.4 Private Financial Institutions			
A.1.2.1.5 Private Non-Financial Institutions			
A.1.2.2 Short-term placements or investments in securities issued by foreign entities			
A.1.2.3 Others, specify		85,728	99,646
Financial assets at fair value through profit or loss		85,728	99,646
A.1.2.4 Allowance for decline in market value ( <b>negative entry</b> )		0	0
A.1.3 Trade and Other Receivables (A.1.3.1 + A.1.3.2)		1,595	417
A.1.3.1 Due from domestic entities (A.1.3.1.1 + A.1.3.1.2 + A.1.3.1.3 + A.1.3.1.4)		1,595	417
A.1.3.1.1 Due from customers (trade)			
A.1.3.1.2 Due from related parties			
A.1.3.1.3 Others, specify		1,595	417
Dividends receivable		80	82
Accrued Interest Receivable		254	289
Securities sold receivable		1,262	47
A.1.3.1.4 Allowance for doubtful accounts/bad debts/probable losses ( <b>negative entry</b> )			
A.1.3.2 Due from foreign entities, specify (A.1.3.2.1 + A.1.3.2.2 + A.1.3.2.3 + A.1.3.2.4 + A.1.3.2.5)		0	0
A.1.3.2.1			
A.1.3.2.2			
A.1.3.2.3			
A.1.3.2.4			
A.1.3.2.5 Allowance for doubtful accounts/bad debts/probable losses ( <b>negative entry</b> )			
A.1.4 Inventories (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4 + A.1.4.5 + A.1.4.6)		0	0
A.1.4.1 Raw materials and supplies			
A.1.4.2 Goods in process (including unfinished goods, growing crops, unfinished seeds)			
A.1.4.3 Finished goods/factory supplies			
A.1.4.4 Merchandise/Goods in transit			
A.1.4.5 Labor and other costs of personnel (in case of service providers)			
A.1.4.6 Revaluation surplus (includes spoilage, losses due to fire and changes in prices)			
A.1.5 Other Current Assets			

NOTE:

This special form is applicable to Investment Companies and Publicly-held Companies enumerated in Section 17.2 of the Securities Regulation Code (SRC), except banks, insurance, and public utility companies. Parent Companies shall submit their individual Audited Financial Statements and Consolidated Financial Statements using supplemental form PHFS2.

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.

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

NAME OF CORPORATION: SOLIDARITAS FUND, INC.  
 CURRENT ADDRESS: 19TH FLOOR, BPI BUILDING, AYALA AVENUE COR. PASEO DE ROXAS, MAKATI CITY  
 TEL. NO.: (632) 580-3573 FAX NO.: (632) 580-4682  
 COMPANY TYPE : INVESTMENT COMPANY PSIC: \_\_\_\_\_

**Table 1. Balance Sheet**

<b>FINANCIAL DATA</b>		<b>2022</b> ( in P'000 )	<b>2021</b> ( in P'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 ( <b>negative entry</b> )			
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)		43,566	45,000
A.3.1 Equity in domestic subsidiaries/affiliates			
A.3.2 Equity in foreign branches/subsidiaries/affiliates			
A.3.3 Others, specify			
Investment in securities at amortized cost		43,566	45,000
A.3.4 Allowance for decline in market value ( <b>negative entry</b> )			
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)			
A.5.1.1 From domestic entities, specify			
A.5.1.2 From foreign entities, specify			
A.5.1.3 Allowance for doubtful accounts, net of current portion ( <b>negative entry</b> )			
A.6 Other Assets (A.6.1 + A.6.2 + A.6.3 + A.6.4)		0	0
A.6.1 Deferred charges - net of amortization			
A.6.2 Advance/Miscellaneous deposits			
A.6.3 Others, specify			
A.6.4 Allowance for write-down of deferred charges ( <b>negative entry</b> )			
<b>B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5 + B.6)</b>		<b>2,349</b>	<b>708</b>
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3)		2,349	708
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)		2,349	708
B.1.1.1 Trade Payables		0	0
B.1.1.2 Payables to Subsidiaries			
B.1.1.3 Payables to Related Parties		150	215
B.1.1.4 Advances from Directors, Officers, Employees and Principal Stockholders			
B.1.1.5 Accruals		305	336

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

NAME OF CORPORATION: SOLIDARITAS FUND, INC.  
 CURRENT ADDRESS: 19TH FLOOR, BPI BUILDING, AYALA AVENUE COR. PASEO DE ROXAS, MAKATI CITY  
 TEL. NO.: (632) 580-3573 FAX NO.: (632) 580-4682  
 COMPANY TYPE : INVESTMENT COMPANY PSIC: \_\_\_\_\_

**Table 1. Balance Sheet**

FINANCIAL DATA		2022 (in P'000)	2021 (in P'000)
B.1.1.6	Others, specify	1,894	156
	Securities Purchased Payable	1,030	156
	Payable for Redeemable Shares	864	
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)	0	0
	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:		
	_____	0	0
	_____		
	_____		
B.2	Tax Liabilities and Assets		
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)		
	B.6.1 Deferred Income Tax		
	B.6.2 Others, specify		
	_____		
	_____		
	_____		
<b>C. MINORITY INTEREST</b>			
<b>D. EQUITY (D.3 + D.4 + D.5 + D.6 + D.7 + D.8 + D.9)</b>		<b>137,310</b>	<b>148,267</b>
D.1	Authorized Capital Stock (no. of shares, par value and total value; show details) (D.1.1+D.1.2+D.1.3)	<b>141,000</b>	<b>141,000</b>
	D.1.1 Common shares 141,000,000; P1	141,000	141,000
	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)	69,119	71,020
	D.3.1 Common shares	69,119	71,020
	D.3.2 Preferred Shares		
D.4	Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus	48,381	49,083
D.5	Others, specify		
	Net increase in assets resulting from operations	0	0
	Net investment income		
	Net unrealized gain on investment		
	Deposits for future stock subscriptions	0	0
D.6	Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus		
D.7	Retained Earnings (D.7.1 + D.7.2)	19,810	28,165
	D.7.1 Appropriated		
	D.7.2 Unappropriated	19,810	28,165
D.8	Head / Home Office Account (for Foreign Branches only)		
D.9	Cost of Stocks Held in Treasury (negative entry)		
<b>TOTAL LIABILITIES AND EQUITY (B + C + D)</b>		<b>139,659</b>	<b>148,975</b>

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

NAME OF CORPORATION: SOLIDARITAS FUND, INC.  
CURRENT ADDRESS: 19TH FLOOR, BPI BUILDING, AYALA AVENUE COR. PASEO DE ROXAS, MAKATI CITY  
TEL. NO.: (632) 580-3573 FAX NO.: (632) 580-4682  
COMPANY TYPE : INVESTMENT COMPANY PSIC: \_\_\_\_\_

**Table 2. Income Statement**

FINANCIAL DATA	2022 ( in P'000 )	2021 ( in P'000 )	2020 ( in P'000 )
<b>A. REVENUE / INCOME (A.1 + A.2 + A.3)</b>	<b>(3,465)</b>	<b>3,446</b>	<b>1,582</b>
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)	0	0	0
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	0	0	0
_____			
_____			
_____			
A.3 Other Income (non-operating) (A.3.1 + A.3.2 + A.3.3 + A.3.4)	(3,465)	3,446	1,582
A.3.1 Interest Income	1,831	1,900	2,646
A.3.2 Dividend Income	1,784	2,281	2,034
A.3.3 Gain / (Loss) from selling of Assets, specify	(7,092)	(735)	(3,333)
Net realized gain (loss) on financial assets at FVPL	(5,191)	(1,797)	(4,298)
Net unrealized gain (loss) on financial assets at FVPL	(1,900)	1,062	965
_____			
A.3.4 Others, specify	13	0	235
Gain / (Loss) on Foreign Exchange	12	0	235
Miscellaneous	0	0	0
_____			
_____			
<b>B. COST OF GOODS SOLD (B.1 + B.2 + B.3)</b>	<b>0</b>	<b>0</b>	<b>0</b>
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)			
<b>C. COST OF SALES (C.1 + C.2 + C.3)</b>	<b>0</b>	<b>0</b>	<b>0</b>
C.1 Purchases			
C.2 Merchandise Inventory, Beginning			
C.3 Merchandise Inventory, End (negative entry)			
<b>D. GROSS PROFIT (A - B - C)</b>	<b>(3,465)</b>	<b>3,446</b>	<b>1,582</b>

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

NAME OF CORPORATION: SOLIDARITAS FUND, INC.  
 CURRENT ADDRESS: 19TH FLOOR, BPI BUILDING, AYALA AVENUE COR. PASEO DE ROXAS, MAKATI CITY  
 TEL. NO.: (632) 580-3573 FAX NO.: (632) 580-4682  
 COMPANY TYPE : INVESTMENT COMPANY PSIC: \_\_\_\_\_

**Table 2. Income Statement**

FINANCIAL DATA	2022 ( in P'000 )	2021 ( in P'000 )	2020 ( in P'000 )
<b>E. OPERATING EXPENSES (E.1 + E.2 + E.3 + E.4)</b>	3,318	3,799	3,537
E.1 Selling or Marketing Expenses			
E.2 Administrative Expenses			
E.3 General Expenses			
E.4 Other Expenses, specify	3,318	3,799	3,537
Management and Professional Fees	2,917	3,256	3,179
Taxes and Licenses	47	31	76
Directors' Fees	34	4	33
Miscellaneous	320	111	250
Loss on Foreign Exchange		397	
<b>F. FINANCE COSTS (F.1 + F.2 + F.3)</b>	0	0	0
F.1 Interest			
F.2 Amortization			
F.3 Other interests, specify			
_____			
_____			
_____			
<b>G. Share of Income (Losses) of Associates and Joint Ventures accounted for using the Equity Method</b>	0	0	0
<b>H. Net Income (Loss) Before Tax ( D - E - F + G )</b>	(6,782)	(353)	(1,955)
<b>I. Income Tax Expense (negative entry)</b>	278	309	336
<b>J. Income After Tax</b>	(7,060)	(662)	(2,291)
<b>K. Minority Interest (negative entry)</b>	0	0	0
<b>L. Net Income (Loss - negative entry) from Ordinary Activities (J - K)</b>	(7,060)	(662)	(2,291)
<b>M. Extraordinary Items</b>	0	0	0
<b>N. Net Income (Loss - negative entry) for the Year (L + M)</b>	(7,060)	(662)	(2,291)
<b>0 Earnings (Loss) Per Share</b>			
O.1 Basic	(0.1021)	(0.0045)	(0.0306)
O.2 Diluted	(0.1021)	(0.0045)	(0.0306)

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

NAME OF CORPORATION: SOLIDARITAS FUND, INC.  
 CURRENT ADDRESS: 19TH FLOOR, BPI BUILDING, AYALA AVENUE COR. PASEO DE ROXAS, MAKATI CITY  
 TEL. NO.: (632) 580-3573 FAX NO.: (632) 580-4682  
 COMPANY TYPE : INVESTMENT COMPANY PSIC: \_\_\_\_\_

**Table 3. Cash Flow Statements**

FINANCIAL DATA	2022 (in P'000)	2021 (in P'000)	2020 (in P'000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income (Loss) Before Tax and Extraordinary Items	(6,782)	(353)	(1,955)
<b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</b>			
Depreciation			
Amortization, specify: Unrealized loss (gain) on financial assets at FVPL - net	1,900	(1,062)	(965)
Amortization of premium on investment in securities at amortized cost			9
Others, specify:			
Income Taxes Paid	(278)	(309)	(336)
Write-down of Property, Plant, and Equipment			
<b>Changes in Assets and Liabilities:</b>			
Decrease (Increase) in:			
Investments, net			
Financial assets at FVPL	12,018	10,593	(8,401)
Receivables	(1,178)	755	(754)
Others, specify:			
Increase (Decrease) in:			
Trade and Other Payables			
Income and Other Taxes Payable			
Others, specify: Accounts payable and accrued expenses	1,641	172	(83)
<b>A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)</b>	<b>7,321</b>	<b>9,795</b>	<b>(12,485)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Increase) Decrease in Long-Term Receivables			
(Increase) Decrease in Investment	(33,566)	(25,000)	(24,000)
Reductions/(Additions) to Property, Plant, and Equipment			
Others, specify: Maturity of unquoted debt security	0	0	0
Maturity of investment in securities at amortized cost	35,000	24,000	28,192
Acquisition of short-term investments	0	0	0
Disposal of short-term investment	0	0	0
<b>B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)</b>	<b>1,434</b>	<b>(1,000)</b>	<b>4,192</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Loans			
Long-term Debt			
Issuance of Shares	3,708	672	6,429
Others, specify:			
Payments of:			
(Loans)			
(Long-term Debt)			
(Stock Subscriptions)			
Others, specify (negative entry):			
Redemption of shares	(7,605)	(6,985)	(10,512)
<b>C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)</b>	<b>(3,897)</b>	<b>(6,314)</b>	<b>(4,083)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)</b>	<b>4,858</b>	<b>2,482</b>	<b>(12,376)</b>
<b>D. Effects of Exchange Rate Changes on Cash &amp; Cash Equivalents</b>			
	0	0	0
Cash and Cash Equivalents			
Beginning of year	3,911	1,430	13,806
End of year	8,769	3,911	1,430

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

NAME OF CORPORATION: SOLIDARITAS FUND, INC.  
CURRENT ADDRESS: 19TH FLOOR, BPI BUILDING, AYALA AVENUE COR. PASEO DE ROXAS, MAKATI CITY  
TEL. NO.: (632) 580-3573 FAX NO.: (632) 580-4682  
COMPANY TYPE: INVESTMENT COMPANY PSIC: \_\_\_\_\_

**Table 4. Statement of Changes in Equity**

FINANCIAL DATA	(Amount in P'000)					
	Capital Stock	Additional Paid-in Capital	Deposit for future subscription	Translation Differences	Retained Earnings	TOTAL
<b>A. Balance, 2020</b>	74,240	51,178	0	0	29,826	155,244
A.1 Correction of Fundamental Error						
A.2 Changes in Accounting Policy						
<b>B. Restated Balance</b>	74,240	51,178	0	0	29,826	155,244
B.1 Surplus (Deficit) on Revaluation of Properties						
B.2 Surplus (Deficit) on Revaluation of Investments						
B.3 Currency Translation Differences (negative entry)						
<b>C. Net Gains (Losses) not recognized in the Income</b>	(3,219)	(2,096)	0	0	(1,662)	(6,976)
C.1 Net Income (Loss) for the Period	0	0	0	0	(663)	(662)
C.2 Dividends (negative entry)						
C.3 Current Appropriation for Contingencies						
C.4 Issuance/Redemption of Capital						
C.4.1 Common Stock	(3,219)	(2,096)	0	0	(999)	(6,314)
C.4.2 Preferred Stock						
C.4.3 Others - DFFS						0
<b>D. Balance, 2021</b>	71,020	49,083	0	0	28,164	148,267
D.1 Correction of Fundamental Error						
D.2 Changes in Accounting Policy						
<b>E. Restated Balance</b>	71,020	49,083	0	0	28,164	148,267
E.1 Surplus (Deficit) on Revaluation of Properties						
E.2 Surplus (Deficit) on Revaluation of Investments						
E.3 Currency Translation Differences (negative entry)						
<b>F. Net Gains (Losses) not recognized in the Income</b>	(1,901)	(702)	0	0	(8,354)	(10,957)
F.1 Net Income (Loss) for the Period	0	0	0	0	(7,060)	(7,060)
F.2 Dividends (negative entry)						
F.3 Current Appropriation for Contingencies						
F.4 Issuance/Redemption of Capital						
C.4.1 Common Stock	(1,901)	(702)	0	0	(1,294)	(3,897)
C.4.2 Preferred Stock						
C.4.3 Others- DFFS						0
<b>F. Balance, 2022</b>	69,119	48,381	0	0	19,810	137,310

**Table 4a. Statement of Recognized Gains and Losses**

FINANCIAL DATA	(Amount in P'000)		
	2022	2021	2020
A. Surplus (Deficit) on Revaluation of Properties			
B. Surplus (Deficit) on Revaluation of Investments			
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	(7,060)	(662)	(2,291)
<b>Total Recognized Gains (Losses) (A + B + C + D + E)</b>	<b>(7,060)</b>	<b>(662)</b>	<b>(2,291)</b>
Effect of Changes in Accounting Policy			



SOLIDARITAS FUND, INC.  
ATTACHMENT TO FINANCIAL STATEMENTS  
(In Thousands of Philippine Peso)

TOTAL ASSETS- January 1 to December 31, 2022 139,659  
NET ASSET VALUE- January 1 to December 31, 2022 137,310

SECURITY NAME	MARKET VALUE	PERCENTAGE OF INV. IN A SINGLE ENT. TO NET ASSET VALUE	TOTAL INVESTMENTS OF THE FUND TO TOTAL ASSETS	NO. OF SHARES	OUTSTANDING SECURITIES OF AN INVESTEE CO.	PERCENTAGE TO OUTSTANDING SECURITIES OF AN INVESTEE CO.
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FAIR VALUE THROUGH PROFIT OR LOSS:

INVESTMENT IN EQUITIES

AYALA CORP	5,699	4.15%	4.08%	8	619,704	0.0013%
AC ENERGY PHILS	124	0.09%	0.09%	16	38,315,838	0.0000%
ABOITIZ EQUITY VENTURES	3,199	2.33%	2.29%	64	6,630,225	0.0011%
AYALA LAND INC	5,591	4.07%	4.00%	181	14,795,595	0.0012%
ABOITIZ POWER CORP	1,171	0.85%	0.84%	34		
BANCO DE ORO UNIV. BANK	5,724	4.17%	4.10%	54	4,385,915	0.0012%
BANK OF THE PHIL ISLANDS	6,943	5.06%	4.97%	67	4,513,128	0.0015%
CENTURY PACIFIC FOOD INC	851	0.62%	0.61%	33	7,526,294	0.0004%
DMCI HOLDING INC	511	0.37%	0.37%	8		#DIV/0!
GLOBE TELECOM GMR	2,420	1.76%	1.73%	1	133,619	0.0008%
GT CAPITAL HOLDINGS INC.	1,834	1.34%	1.31%	4	215,285	0.0020%
INTL CONT TERM SVC INC	5,232	3.81%	3.75%	26	2,039,880	0.0013%
JOLIBEE FOOD CORP	2,578	1.88%	1.85%	12	1,110,769	0.0011%
JG SUMMIT HOLDINGS INC	2,572	1.87%	1.84%	46	7,520,984	0.0006%
METROPOLITAN BANK & TRUST	2,442	1.78%	1.75%	45	4,497,416	0.0010%
MANILA ELECTRIC CO	1,969	1.43%	1.41%	7	1,127,099	0.0006%
SM INVESTMENTS CORP	10,658	7.76%	7.63%	12	1,204,583	0.0010%
SM PRIME HOLDINGS	8,832	6.43%	6.32%	247	28,879,232	0.0009%
PHIL LONG DIS TEL CO	1,692	1.23%	1.21%	1	216,056	0.0006%
UNIVERSAL ROBINA CORP	3,845	2.80%	2.75%	27	2,190,165	0.0012%
WILCON DEPOT INC	1,362	0.99%	0.97%	66	4,099,724	0.0016%
<b>TOTAL</b>	<b>75,251</b>					

PREFERRED SHARES

AC CLASS B PREFERRED	3,069	2.23%	2.20%	6	20,000	0.0321%
GT CAP PREFERRED SHARES	4,228	3.02%	3.01%	4	4,839	0.0930%
<b>TOTAL</b>	<b>7,296</b>					

MUTUAL FUND

ALFM MONEY MARKET	3,181	2.32%	2.28%	24	423,431	0.0056%
<b>TOTAL</b>	<b>3,181</b>					

TOTAL FAIR VALUE THROUGH PROFIT OR LOSS

85,728

INVESTMENT IN SECURITIES AT AMORTIZED COST

GOVERNMENT SECURITIES

RTBOND311	19,969	14.54%	14.30%	20,000		#DIV/0!
TBILL	1,998	1.45%	1.43%	2,000		#DIV/0!
<b>TOTAL</b>	<b>21,966</b>					

INVESTMENT IN DEBT SECURITIES

AC-BOND	1,000	0.73%	0.72%	1,000	6,000,000	NA
BPI-BOND	3,000	2.18%	2.15%	3,000	NA	NA
PCOR-BOND	10,000	7.28%	7.16%	10,000	NA	NA
RLC-BOND	720	0.52%	0.52%	720	13,200,000	0.0055%
RLC-BOND	4,180	3.04%	2.99%	4,180	16,616,410	0.0252%
SECB-BOND	2,700	1.97%	1.93%	2,700		
<b>TOTAL INVESTMENT IN SECURITIES AT AMORTIZED COST</b>	<b>21,600</b>					

INVESTMENT IN LIQUID/SEMI-LIQUID ASSETS

CASH AND CASH EQUIVALENTS	8,769	6.39%	6.28%	n/a	n/a	n/a
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TOTAL OPERATING EXPENSES

AVERAGE NET ASSET VALUE- January 1 to December 31, 2022 139,868

	AMOUNT	PERCENTAGE TO NET ASSET VALUE
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MANAGEMENT AND PROFESSIONAL FEES	2,917	2.09%
TAXES AND LICENSES	47	0.03%
DIRECTORS' FEES	34	0.02%
MISCELLANEOUS	320	0.23%
<b>TOTAL</b>	<b>3,318</b>	

TOTAL ASSETS TO TOTAL BORROWINGS:

NO BORROWINGS FOR THE YEAR

SOLIDARITAS FUND, INC.  
ATTACHMENT TO FINANCIAL STATEMENTS  
(in Thousands of Philippine Peso)

TOTAL ASSETS- January 1 to December 31, 2021 148,975  
NET ASSET VALUE- January 1 to December 31, 2021 148,287

SECURITY NAME	MARKET VALUE	PERCENTAGE OF INV. IN A SINGLE ENT. TO NET ASSET VALUE	TOTAL INVESTMENTS OF THE FUND TO TOTAL ASSETS	NO. OF SHARES	OUTSTANDING SECURITIES OF AN INVESTEE CO.	PERCENTAGE TO OUTSTANDING SECURITIES OF AN INVESTEE CO.
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FAIR VALUE THROUGH PROFIT OR LOSS:

INVESTMENT IN EQUITIES

AYALA CORP	7,097	4.79%	4.76%	9	619,704	0.0014%
AC ENERGY PHILS	243	0.16%	0.16%	22	38,315,838	0.0001%
ABOITIZ EQUITY VENTURES	1,481	1.00%	0.99%	27	5,630,225	0.0005%
AYALA LAND INC	8,452	5.70%	5.67%	230	14,795,595	0.0016%
BANCO DE ORO UNIV. BANK	5,130	3.46%	3.44%	43	4,385,915	0.0010%
BANK OF THE PHIL ISLANDS	5,271	3.56%	3.54%	57	4,513,128	0.0013%
CONVERG ICT SOLUTIONS INC	1,646	1.11%	1.10%	52	7,526,294	0.0007%
FIRST GENERATION HOLDINGS	376	0.25%	0.25%	14	3,596,576	0.0004%
GLOBE TELECOM GMCR	1,661	1.12%	1.11%	1	133,619	0.0004%
GT CAPITAL HOLDINGS INC	1,771	1.19%	1.19%	3	215,285	0.0015%
INTL CONT TERM SVC INC	6,090	4.11%	4.09%	30	2,039,880	0.0015%
JOLIBEE FOOD CORP	1,039	0.70%	0.70%	5	1,110,769	0.0004%
JG SUMMIT HOLDINGS INC	3,419	2.31%	2.29%	65	7,520,984	0.0009%
METROPOLITAN BANK & TRUST	2,885	1.95%	1.94%	52	4,497,416	0.0012%
MEGAWORLD PROPERTIES	284	0.19%	0.19%	90	31,840,893	0.0003%
MANILA ELECTRIC CO	1,712	1.15%	1.15%	6	1,127,099	0.0005%
MONDE NISSIN	3,577	2.41%	2.40%	221	17,968,611	0.0012%
PUREGOLD PRICE CLUB, INC.	770	0.52%	0.52%	20	2,881,638	0.0007%
ROBINSONS COMMERCIAL REIT	438	0.30%	0.29%	58	9,948,997	0.0006%
ROBINSONS LAND CORP	852	0.57%	0.57%	44	5,106,789	0.0009%
ROBINSONS RETAIL HOLDINGS, INC.	788	0.53%	0.53%	12	1,493,012	0.0008%
SECURITY BANK CORP	935	0.63%	0.63%	8	753,539	0.0010%
SM INVESTMENTS CORP.	11,849	7.99%	7.95%	13	1,204,583	0.0010%
SM PRIME HOLDINGS	7,505	0.050621075	0.050380593	221	28,875,232	7.66641E-06
PHIL LONG DIS TEL CO	3,062	0.020653751	0.02055633	2	216,056	7.62205E-06
UNIVERSAL ROBINA CORP	3,456	0.023309222	0.023198489	27	2,190,165	1.23278E-05
WILCON DEPOT INC	418	0.00	0.002804829	14	4,099,724	0.00%
TOTAL	62,207					
PREFERRED SHARES						
AC CLASS B PREFERRED	3,378	0.02	0.022673435	6	20,000	0.03%
GTCAP PREFERRED SHARES	4,478	3.02%	3.01%	5	4,839	0.0930%
TOTAL	7,855					
MUTUAL FUND						
ALFM MONEY MARKET	9,584	0.064637968	0.064330897	73	158,000	0.000462285
TOTAL	9,584					
TOTAL FAIR VALUE THROUGH PROFIT OR LOSS	99,646					
INVESTMENT IN SECURITIES AT AMORTIZED COST						
BNP-NOTE	5,000	0.03	0.033562628	5,000	NA	NA
DBS-NOTE	10,000	0.067445696	0.067125257	10,000	NA	NA
DBS-NOTE4	10,000	0.067445696	0.067125257	10,000	NA	NA
PCOR-BOND	10,000	0.07	0.067125257	10,000	13,200,000	0.000757576
RCBC-BOND	10,000	0.07	0.067125257	10,000	16,616,410	0.000601815
TOTAL INVESTMENT IN SECURITIES AT AMORTIZED COST	45,000					
INVESTMENT IN LIQUID/SEMI-LIQUID ASSETS						
CASH AND CASH EQUIVALENTS	3,912	0.026382478	0.026257145	n/a	n/a	n/a
TOTAL OPERATING EXPENSES						
AVERAGE NET ASSET VALUE- January 1 to December 31, 2021	147,661					
AMOUNT		PERCENTAGE TO NET ASSET VALUE				
MANAGEMENT AND PROFESSIONAL FEES	3,256	0.022048866				
TAXES AND LICENSES	31	0.000208389				
DIRECTORS' FEES	4	2.92561E-05				
MISCELLANEOUS	111,008	0.000751774				
TOTAL	340186.70%					
TOTAL ASSETS TO TOTAL BORROWINGS:						
NO BORROWINGS FOR THE YEAR						

**SOLIDARITAS FUND, INC.**  
**FINANCIAL STATEMENT RATIOS**  
**As at December, 2022 and December, 2021**  
**(In Thousands of Philippine Peso)**

	<b>January 1 to December 31, 2022</b>	<b>January 1 to December 31, 2021</b>
Current Asset	96,092	103,975
Current Liabilities	2,349	708
Current /Liquidity Ratio	40.92	146.91
Total Liabilities	2,349	708
Total Equity	137,310	148,267
Debt-to-Equity Ratio	0.0171	0.0048
Total Assets	139,659	148,975
Total Equity	137,310	148,267
Asset-to-Equity Ratio	1.02	1.00
Earnings Before Income Tax	(6,782)	(353)
Interest Expense	-	-
Interest Rate Coverage Ratio	n.a.	n.a.
Net Income	(7,060)	(662)
Total Equity	137,310	148,267
Return on Investments	(0.05)	(0.00)