

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

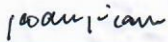
The management of ALFM Growth Fund Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended 31 December 2022 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

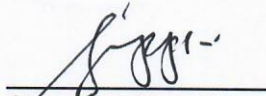
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

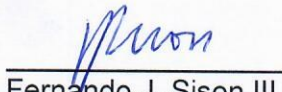
Isla Lipana & Co., the independent auditor, appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such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



Jose Teodoro K. Limcaoco
Chairman



Simon R. Paterno
President



Fernando J. Sison III
Treasurer

11 APR 2024

Signed this ____ day of _____

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES

~~QUEZON CITY~~
METRO MANILA

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

Name	Tax Identification No.
JOSE TEODORO K. LIMCAOCO	135-554-880
SIMON R. PATERNO	203-010-472
FERNANDO J. SISON III	135-565-275

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

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

Doc. No. 09
Page No. 02
Book No. X
Series of 20 24


ATTY. ROGELIO J. BOLIVAR

NOTARY PUBLIC IN QUEZON CITY
Commission No. Adm. Matter No. NP 549 (2023-2024)
IBP O.R. No. 180815 2023 & IBP O.R. No. 180816 2024
PTR O.R. No. 4127771 D 01/03/2024 / Roll No. 33832 / TIN # 129-871-009-000
MCLE No. 7&8 FROM APRIL 15, 2023 UNTIL APRIL 14, 2025
Address: 31-F Harvard St. Cubao, Q.C.

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 7 - 1 8 2 4 0

Company Name

A L F M G R O W T H F U N D , I N C .

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

7 / F B P I B U E N D I A C E N T E R

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

Form Type

A F S

Department requiring the report

Secondary License Type, if applicable

COMPANY INFORMATION

Company's Email Address

BPI_Wealth_Operation@bpi.com.ph

Company's Telephone Number(s)

(632) 8580-0900

Mobile Number

No. of Stockholders

Annual Meeting (Month/Day)

Fiscal Year (Month/Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

Andrae V. Manalo

Email Address

avmanalo@bpi.com.ph

Telephone Number(s)

8580-0900

Mobile Number

Contact Person's Address

7/F BPI Buendia Center, Sen. Gil J. Puyat Avenue, Makati City 1209

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



Independent Auditor's Report

To the Board of Directors and Shareholders of
ALFM Growth Fund, Inc.
7th Floor, BPI Buendia Center
Sen. Gil J. Puyat Avenue
Makati City

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ALFM Growth Fund, Inc. (the "Fund") as at December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The financial statements of the Fund comprise:

- the statements of financial position as at December 31, 2023 and 2022;
- the statements of comprehensive income for each of the three years in the period ended December 31, 2023;
- the statements of changes in equity for each of the three years in the period ended December 31, 2023;
- the statements of cash flows for each of the three years in the period ended December 31, 2023; and
- the notes to the financial statements, including material accounting policy information.

Basis for Opinion

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

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

Independence

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

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Independent Auditor's Report
To the Board of Directors and Shareholders of
ALFM Growth Fund, Inc.
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Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



Independent Auditor's Report
To the Board of Directors and Shareholders of
ALFM Growth Fund, Inc.
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As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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.



Independent Auditor's Report
To the Board of Directors and Shareholders of
ALFM Growth Fund, Inc.
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Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 17 the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

A handwritten signature in black ink, appearing to read "Zaldy D. Aguirre".

Zaldy D. Aguirre
Partner

CPA Cert No. 0105660

P.T.R. No. 0024447, issued on January 12, 2024, Makati City

TIN 221-755-698

BIR A.N. 08-000745-077-2023, issued on December 22, 2023; effective until December 21, 2026

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

Makati City
March 27, 2024



**Statements Required by Rule 68,
Securities Regulation Code (SRC),
As Amended on October 3, 2019**

To the Board of Directors and Shareholders of
ALFM Growth Fund, Inc.
7th Floor, BPI Buendia Center
Sen. Gil J. Puyat Avenue
Makati City

We have audited the financial statements of ALFM Growth Fund, Inc. as at and for the year ended December 31, 2023, on which we have rendered the attached report dated March 27, 2024. The supplementary information shown in the Schedules A,B,C,D,E,F and G, as required by Rule 68 of the Securities Regulation Code, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Rule 68 of the Securities Regulation Code.ⁱ

Isla Lipana & Co.

A handwritten signature in black ink, appearing to read 'Zaldy D. Aguirre', is written over the printed name.

Zaldy D. Aguirre
Partner

CPA Cert No. 0105660

P.T.R. No. 0024447, issued on January 12, 2024, Makati City

TIN 221-755-698

BIR A.N. 08-000745-077-2023, issued on December 22, 2023; effective until December 21, 2026

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

Makati City
March 27, 2024

ALFM Growth Fund, Inc.

Statements of Financial Position
December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Assets			
Assets			
Cash and cash equivalents	2	31,105,609	157,444,894
Financial assets at fair value through profit or loss	3	4,054,164,701	4,311,041,358
Investment securities at amortized cost, net	4	210,744,636	303,619,151
Other receivables	5	17,675,191	21,948,469
Total assets		4,313,690,137	4,794,053,872
Liabilities and Equity			
Liabilities			
Management and distribution fees payable	6	6,442,064	6,929,826
Other liabilities	7	6,167,339	68,286,746
Total liabilities		12,609,403	75,216,572
Equity			
Redeemable shares	10	2,040,216,402	2,262,166,102
Share premium		1,946,398,903	2,187,728,087
Retained earnings		314,465,429	268,943,111
Total equity	11	4,301,080,734	4,718,837,300
Total liabilities and equity		4,313,690,137	4,794,053,872

The notes on pages 1 to 17 are integral part of these financial statements.

ALFM Growth Fund, Inc.

Statements of Comprehensive Income
For each of the three years in the period ended December 31, 2023
(All amounts in Philippine Peso)

	Notes	2023	2022	2021
Income				
Gains (losses) from financial assets at fair value through profit or loss, net	3	124,205,629	(351,939,328)	121,646,988
Interest income	2,4	14,903,098	12,388,737	7,415,365
Other income		11,260	211	547,749
		139,119,987	(339,550,380)	129,610,102
Expenses				
Management and distribution fees	8	89,621,714	98,398,150	106,789,886
Custodian fees	13	1,386,968	2,256,435	1,603,777
Taxes and licenses	17	704,084	1,024,852	1,846,599
Professional fees	12	694,736	812,225	349,534
Others		135,064	777,924	709,738
		92,542,566	103,269,586	111,299,534
Income (loss) before income tax		46,577,421	(442,819,966)	18,310,568
Income tax expense	9	2,944,570	2,261,970	1,540,984
Net income (loss) for the year		43,632,851	(445,081,936)	16,769,584
Other comprehensive income		-	-	-
Total comprehensive income (loss) for the year		43,632,851	(445,081,936)	16,769,584
Basic and diluted earnings (loss) per share	10	2.02	(19.31)	0.69

The notes on pages 1 to 17 are integral part of these financial statements.

ALFM Growth Fund, Inc.

Statements of Changes in Equity
For each of the three years in the period ended December 31, 2023
(All amounts in Philippine Peso)

	Redeemable shares (Note 10)	Share premium	Retained earnings	Total equity (Note 11)
Balance at January 1, 2021	2,443,567,100	2,396,306,431	713,600,649	5,553,474,180
Comprehensive income				
Net income for the year	-	-	16,769,584	16,769,584
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	16,769,584	16,769,584
Transactions with owners				
Issuance of shares	161,950,201	189,131,749	-	351,081,950
Redemption of shares	(235,410,599)	(274,921,665)	(11,226,716)	(521,558,980)
Total transactions with owners	(73,460,398)	(85,789,916)	(11,226,716)	(170,477,030)
Balance at December 31, 2021	2,370,106,702	2,310,516,515	719,143,517	5,399,766,734
Comprehensive loss				
Net loss for the year	-	-	(445,081,936)	(445,081,936)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(445,081,936)	(445,081,936)
Transactions with owners				
Issuance of shares	80,123,100	91,144,475	-	171,267,575
Redemption of shares	(188,063,700)	(213,932,903)	(5,118,470)	(407,115,073)
Total transactions with owners	(107,940,600)	(122,788,428)	(5,118,470)	(235,847,498)
Balance at December 31, 2022	2,262,166,102	2,187,728,087	268,943,111	4,718,837,300
Comprehensive income				
Net income for the year	-	-	43,632,851	43,632,851
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	43,632,851	43,632,851
Transactions with owners				
Issuance of shares	44,619,400	48,515,332	-	93,134,732
Redemption of shares	(266,569,100)	(289,844,516)	1,889,467	(554,524,149)
Total transactions with owners	(221,949,700)	(241,329,184)	1,889,467	(461,389,417)
Balance at December 31, 2023	2,040,216,402	1,946,398,903	314,465,429	4,301,080,734

The notes on pages 1 to 17 are integral part of these financial statements.

ALFM Growth Fund, Inc.

Statements of Cash Flows
For each of the three years in the period ended December 31, 2023
(All amounts in Philippine Peso)

	Notes	2023	2022	2021
Cash flows from operating activities				
Income (loss) before income tax		46,577,421	(442,819,966)	18,310,568
Adjustments for:				
Unrealized fair value losses (gains), net	3	50,433,460	148,117,871	(103,779,239)
Dividend income	3	(110,968,824)	(97,113,350)	(90,295,309)
Dividend received	3,5	117,740,818	87,511,119	90,291,686
Interest income	2,3,4	(14,903,098)	(12,388,737)	(7,722,456)
Interest received		14,936,310	11,848,450	7,736,084
Operating income (loss) before changes in operating assets and liabilities		103,816,087	(304,844,613)	(85,458,666)
Changes in operating assets and liabilities				
Decrease (increase) in:				
Financial assets at fair value through profit or loss	3,5,7	139,104,693	757,156,950	224,552,520
Investment security at amortized cost, net	4	92,874,515	(113,619,151)	50,000,000
Increase in:				
Management and distribution fees payable	6	(487,762)	(1,220,726)	(257,648)
Other liabilities	7	(300,474)	(93,926)	(14,460,636)
Cash generated from operations		335,007,059	337,378,534	174,375,570
Income taxes paid	9	(2,944,570)	(2,261,970)	(1,540,985)
Net cash from operating activities		332,062,489	335,116,564	172,834,585
Cash flows from financing activities				
Proceeds from issuance of shares	10	93,134,732	171,267,575	351,081,949
Payment for redemption of shares	7,10	(551,536,506)	(415,298,244)	(518,421,624)
Net cash used in financing activities		(458,401,774)	(244,030,669)	(167,339,675)
Net (decrease) increase in cash and cash equivalents		(126,339,285)	91,085,895	5,494,910
Cash and cash equivalents	2			
January 1		157,444,894	66,358,999	60,864,089
December 31		31,105,609	157,444,894	66,358,999

The notes on pages 1 to 17 are integral part of these financial statements.

ALFM Growth Fund, Inc.

Notes to Financial Statements

As at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023
(All amounts are in Philippine Peso, unless otherwise stated)

1 General information

ALFM Growth Fund, Inc. (the “Fund”) was incorporated in the Philippines primarily to establish and carry on the business of an open-end investment company. It was registered on November 26, 2007 with the Philippine Securities and Exchange Commission (SEC) under the Investment Company Act of 1960 (Republic Act No. 2629) and the Securities Regulation Code (Republic Act No. 8799).

The Fund aims to provide long-term capital appreciation through investments in a diversified portfolio of equity and fixed-income securities. As an open-end investment company, the Fund stands ready at any time to redeem its outstanding shares at a value defined under the Fund’s prospectus (Note 11).

The Fund is registered as an issuer of securities with the SEC under Section 12 of the Securities Regulation Code (SRC). In compliance with the SRC, the Fund is required to file registration statements for each instance of increase in authorized shares. The last registration statement filed by the Fund for an increase in authorized shares and permit to offer securities for sale were approved by the SEC on February 17, 2016 and September 22, 2016, respectively (Note 10).

The Fund’s registered and principal place of business is at 7th Floor, BPI Buendia Center, Sen. Gil J. Puyat Avenue, Makati City.

On September 30, 2022, the shareholders approved the planned merger of the Fund and Philam Strategic Growth Fund, Inc., with the Fund as the surviving entity, subject to regulatory approvals. Subsequently, on December 18, 2023, the planned merger was acknowledged by the Philippine Competition Commission.

The Fund has no employees. The principal management and administration functions of the Fund are outsourced from BPI Investment Management, Inc. (BIMI) until March 31, 2023. Effective April 1, 2023, such functions were transferred to BPI Wealth - A Trust Corporation (“BPI Wealth” or the “Fund Manager”) (Note 12).

Approval of the financial statements

These financial statements have been approved and authorized for issuance by the Fund’s Board of Directors (BOD) on March 26, 2024. There are no material events that occurred from March 26 to March 27, 2024.

2 Cash and cash equivalents

The account at December 31 consists of:

	2023	2022
Short-term time deposits	20,600,000	154,500,000
Regular savings deposits	10,505,609	2,944,894
	31,105,609	157,444,894

Short-term time deposits have maturity period of less than three (3) months and bear interest at prevailing market rates.

Interest income earned from cash and cash equivalents as at December 31, 2023 is P6,312,492 (2022 - 3,154,466; 2021 - P332,032).

3 Financial assets at fair value through profit or loss

The account as at December 31, 2023 consists of listed equity securities which are considered held for trading.

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

	2023	2022	2021
Dividend income	110,968,824	97,113,350	90,295,309
Interest income	-	-	307,091
Other changes:			
Unrealized (losses) gains, net	(50,433,460)	(148,117,871)	103,779,239
Realized gains (losses), net	63,670,265	(300,934,807)	(72,734,651)
	124,205,629	(351,939,328)	121,646,988

Interest income in 2021 were earned from an investment in government security which refers to fixed treasury notes issued by the Bureau of Treasury.

4 Investment securities at amortized cost, net

The account at December 31 consists of:

	Interest rates	2023	Interest rates	2022
Philippine corporate bonds	2.87% - 3.56%	120,900,000	2.87% - 3.56%	120,900,000
Philippine government bonds	3.4%	89,899,400	3.40%	182,719,151
		210,799,400		303,619,151
Allowance for impairment		(54,764)		-
		210,744,636		303,619,151

The maturity pattern of investment securities at amortized cost, net follows:

	2023	2022
Due in one year or less	100,000,000	92,893,619
Due after one year through five years	110,799,400	210,725,532
	210,799,400	303,619,151

Interest income earned from investment security at amortized cost for the year ended December 31, 2023 amounts to P8,590,606 (2022 - P9,234,271; 2021 - P7,083,333).

5 Other receivables

The account at December 31 consists of:

	2023	2022
Dividend income receivable	4,683,586	11,455,580
Securities sold receivable	11,539,224	9,007,296
Accrued interest receivable	1,452,381	1,485,593
	17,675,191	21,948,469

Securities sold receivable represents receivable from sale of securities not yet received as at reporting period. The amounts have been collected in the subsequent month after the reporting date.

6 Management and distribution fees payable

The account at December 31 consists of:

	Note	2023	2022
Management and distribution fees payable to:			
Related parties	12	4,274,279	4,845,012
Third parties		2,167,785	2,084,814
		6,442,064	6,929,826

Management and distribution fees payable is considered current as at December 31, 2023 and 2022.

7 Other liabilities

The account at December 31 consists of:

	2023	2022
Capital shares redeemed payable	5,359,582	2,371,939
Withholding tax payable	807,757	1,074,213
Securities purchased payable	-	64,806,576
Other payables	-	34,018
	6,167,339	68,286,746

Capital shares redeemed payable represents amounts due to investors arising from share redemptions. The amounts have been paid in the subsequent month after the reporting date.

Securities purchased payable represents amounts due to brokers for purchases of securities not yet paid as at reporting period. The amounts have been paid in the subsequent month after the reporting date.

8 Management and distribution fees

The account for the years ended December 31 consists of management and distribution fees to:

	Note	2023	2022	2021
Related parties	12	62,359,321	69,988,264	83,715,448
Third parties		27,262,393	28,409,886	23,074,438
		89,621,714	98,398,150	106,789,886

9 Income taxes

The reconciliation between income tax expense at the statutory rate and the actual income tax expense presented in the statement of comprehensive income for the years ended December 31 follows:

	2023	2022	2021
Income (loss) before income tax	46,577,421	(442,819,966)	18,310,568
Income (loss) tax at statutory rate of 25%	11,644,355	(110,704,992)	4,577,642
Tax effects of:			
Interest income subjected to lower tax rates	(736,143)	(835,214)	(389,630)
Tax-exempt income	(27,787,268)	(24,278,338)	(22,573,827)
Net (gains) losses in fair value of financial assets at fair value through profit or loss	(3,295,510)	112,263,170	(7,761,147)
Unrecognized net operating loss carryover (NOLCO)	23,119,136	25,817,344	27,687,946
	2,944,570	2,261,970	1,540,984

The details of the Fund's unused NOLCO at December 31 are as follows:

Year of Incurrence	Year of Expiration	2023	2022
2023	2026	92,476,542	-
2022	2025	103,269,375	103,269,375
2021	2026	110,751,786	110,751,786
2020	2025	104,698,204	104,698,203
2019	2022	-	143,956,803
		411,195,907	462,676,167
Expired NOLCO		-	(143,956,803)
		411,195,907	318,719,364
Income tax rate		25%	25%
Unrecognized DTA		102,798,977	79,679,841

10 Redeemable shares

The details of the Fund's authorized shares at December 31, 2023, 2022 and 2021 follow:

Number of authorized shares	59 million
Par value per share	P100
Amount	P5.9 billion

On September 8, 2009, the shareholders approved to increase the Fund's authorized shares from 4 million shares to 500 million shares with par value of P100 per share, which will be applied in tranches.

The summary of the Funds' track record of registration of authorized shares follows:

Shares		Date of SEC Approval	
From	To	Increase in Authorized Shares	Permit to Offer Securities for Sale
4,000,000	10,000,000	November 20, 2009	February 15, 2010
10,000,000	20,000,000	January 19, 2011	February 15, 2012
20,000,000	30,000,000	December 21, 2011	June 22, 2012
30,000,000	36,000,000	February 25, 2013	October 11, 2013
36,000,000	51,000,000	April 16, 2015	November 16, 2015
51,000,000	59,000,000	February 17, 2016	September 22, 2016

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

	2023	2022	2021
Issued and outstanding shares, January 1	22,621,661	23,701,067	24,435,671
Issuance of shares	446,194	801,231	1,619,502
Redemptions of shares	(2,665,691)	(1,880,637)	(2,354,106)
Issued and outstanding shares, December 31	20,402,164	22,621,661	23,701,067

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

	2023	2022	2021
Issuances of shares	93,134,732	171,267,575	351,081,950
Redemptions of shares	554,524,149	407,115,073	521,558,980

As at December 31, 2023, the Fund has 6,732 shareholders (2022 - 7,326; 2021 - 7,721).

Earnings (loss) per share

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

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

	2023	2022	2021
Net (loss) income for the year	43,632,851	(445,081,936)	16,769,584
Weighted average number of shares outstanding during the year	21,547,693	23,054,372	24,354,327
Basic and diluted (loss) earnings per share	2.02	(19.31)	0.69

The following are the features of shares:

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

11 Net Asset Value (NAV) for share subscriptions and redemptions

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

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

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

	2023	2022
PFRS NAV	4,301,080,734	4,718,837,300
Reversal of overpayment of expenses	(1,764,121)	(1,764,121)
Recognition of transactions which were recorded in January 2023	-	3,820
Trading NAV	4,299,316,613	4,717,076,999

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

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

	Note	2023	2022
Trading NAV		4,299,316,612	4,717,076,999
Total number of shares issued and outstanding	10	20,402,164	22,621,661
Trading NAV per share		210.73	208.52

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

12 Related party transactions

As at December 31, 2022, BIMI was the fund manager and transfer agent of the Fund. In consideration of the services, the Fund pays BIMI a fee of not more than 1.00% per annum of the Fund's average daily trading NAV.

Effective April 1, 2023, BIMI transferred all its rights, interests, and obligations as fund manager and advisor of the Fund to BPI Wealth. Hence, on effective date, the management function over the Fund is performed by BPI Wealth. Meanwhile, BIMI retained the distribution and transfer agency functions.

BPI Wealth, as the fund manager, shall formulate and implement the investment strategy, provide, and render management, technical, and administrative services, whereby authorizing BPI Wealth to purchase and sell investment securities for the account of the Fund. As investment advisor, BPI Wealth 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 services, the Fund pays BPI Wealth a fee of not more than 0.50% per annum of the Fund's Trading NAV, net of distribution fees payable to designated distributors and licensed sales agents.

As at December 31, 2022, 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 0.50% p.a. based on the outstanding daily balance of the Fund's shares distributed. Such agreements are effective year after year unless terminated by each party.

Effective April 1, 2023, the Fund has appointed BIMI as principal distributor with the authority to appoint sub-distributors on behalf of the fund. Under the terms of the agreement, BIMI and/or its sub-distributors perform daily functions related to the marketing and the growth of the level of assets of the Fund. The sub-distributors are composed of BPI, BPI Capital and BIMI. As compensation for the services rendered, BIMI shall be entitled to a distribution fee equivalent to 0.95% per annum based on the trading NAV of the Fund, net of sub-distribution fees to designated sub-distributors / licensed sales agents.

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

December 31, 2023	Transactions	Outstanding balances	Terms and conditions
Management and distribution fees			
BPI Wealth	42,862,097	3,958,945	The outstanding balance is unsecured, unguaranteed, non-interest bearing and payable in cash a month after the management and distribution fees are incurred. The amounts have been paid in the subsequent month after the reporting date.
BIMI	19,497,224	315,334	
BPI Capital	-	-	
	62,359,321	4,274,279	

December 31, 2022	Transactions	Outstanding balances	Terms and conditions
Management and distribution fees			
BIMI	69,988,264	4,845,012	The outstanding balance is unsecured, unguaranteed, non-interest bearing and payable in cash a month after the management and distribution fees are incurred. The amounts have been paid in the subsequent month after the reporting date.
BPI Capital	-	-	
	69,988,264	4,845,012	
December 31, 2021	Transactions	Outstanding balances	Terms and conditions
Management and distribution fees			
BIMI	83,709,707	5,641,297	The outstanding balance is unsecured, unguaranteed, non-interest bearing and payable in cash a month after the management and distribution fees are incurred. The amounts have been paid in the subsequent month after the reporting date.
BPI Capital	5,741	2,278	
	83,715,448	5,643,575	

The directors and officers of the Fund are entitled to receive a per diem allowance in the amount of P10,000 (in absolute amount) for every Board meeting attended. Excluded in the payment of per diem allowances are directors and officers of the Fund who are also officers of the Fund Manager. For the year ended December 31, 2023, total remunerations paid, net of tax, to directors and officers amount to P83,878 (2022 - P517,507; 2021 - P205,000) and is presented as part of professional fees in the statement of comprehensive income. As at reporting date, there were no outstanding balances related to these fees.

13 Custodian agreements

The Fund has an existing custodian agreement with Citibank N.A. - Philippine Branch (Citibank) for custodial services of the Fund's proprietary assets and/or assets owned in the Philippines. Relative to this, the Fund pays monthly custodian fees of not more than 0.015% of the average daily market value of the assets. As at December 31, 2023, the market value of securities in custody of Citibank amounts to P4,144,064,101 (2022 - P4,493,760,509).

Custodian fee for the year ended December 31, 2023 amounts to P1,386,968 (2022 - P2,256,435; 2021 - P1,603,777).

14 Critical accounting estimates and judgments

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

Classification of investment securities

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

Impairment of financial assets at amortized cost (Notes 2, 3, 4 and 5)

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

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

The Fund measures ECL using probability of default, exposure at default and loss given default on its financial assets at amortized cost. Management considers both historical analysis and forward-looking information in determining any ECL. As a result, the Fund recognized an allowance for impairment amounting to P54,764 as at December 31, 2023 (2022 - nil).

15 Financial risk and capital management

15.1 Strategy in using financial instruments

The Fund's activities expose it to financial risks, namely market risk (primarily price risk and interest rate risk), credit risk and liquidity risk. The Fund's assets and liabilities are denominated in Philippine Peso with limited short-term investments in US Dollar; hence, the Fund's exposure to foreign exchange risk is minimal. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund's financial performance.

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

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

The Fund's objective is to achieve long-term capital appreciation by investing in a diversified portfolio of equities and fixed income instruments and outperform its composite benchmark, 90% BPI Philippine Equity Total Return Index and 10% return of the 91-day Philippine T-Bill, net of tax. The Fund shall invest at least 90% of its net assets in equity securities under normal market conditions.

15.2 Market risks

Price risk

The Fund trades in financial instruments, taking positions in traded equity and over-the-counter instruments to take advantage of short-term market movements in the equity markets. Trading positions are reported at estimated market value with changes reflected in the statement of total comprehensive income. Trading positions are subject to the risk of loss arising from adverse movement in equity prices.

All investment securities present a risk of loss of capital. The Fund Manager moderates this risk through a careful selection of securities and other financial instruments within specified limits. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Fund's overall market positions are monitored on a daily basis by the Fund Manager and are reviewed on a quarterly basis by the BOD.

Below is a summary of the significant sector concentrations within the portfolio at December 31:

	2023	2022
Holdings	31%	32%
Banks	21%	20%
Property	19%	19%
Food, beverage and tobacco	9%	9%
Transportation services	7%	7%
Telecommunications	6%	5%
Electricity, energy, power and water	4%	5%
Mining	1%	-
Casinos & Gaming	1%	-
Retail	1%	3%
	100%	100%

The Fund's equity securities are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Fund's market price risk is managed through diversification of the investment portfolio ratios by exposures.

If the investments of the Fund have strengthened/weakened by 14.82% (2022 - 19.5%) based on the volatility of the Fund for the past one year with all other variables held constant, net income would have been approximately P211 million (2022 - P1,003 million) higher/lower mainly due to marked-to-market fluctuations of financial assets at fair value through profit or loss.

Interest rate risk

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

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

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

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

15.3 Credit risk

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

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

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

	2023	2022
Cash and cash equivalents	31,105,609	157,444,894
Investment securities at amortized cost, net	210,744,636	303,619,151
Other receivables	17,675,191	21,948,469
	259,525,436	483,012,514

As at December 31, 2023 and 2022, the Fund's financial assets as shown in the table above are fully performing.

The Fund's cash in bank was placed with a reputable local universal bank with solid financial standing while its cash equivalents, the account consist of short-term time deposit were placed with reputable local universal and thrift banks with solid financial standing.

The Fund's financial assets at fair value through profit or loss pertain to an investment in a security issued by the Philippine Government.

The Fund's investment securities at amortized cost, net pertained to notes issued by various Philippine corporations with credit rating of BBB and BBB+.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Fund's other receivables consist of accrued interest receivable on the Fund's cash and cash equivalents, and investment security at amortized cost, dividend income receivable from its investments in listed securities and securities sold receivables.

15.4 Liquidity risk

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

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

The Fund also manages its liquidity by investing predominantly in securities that it expects to be able to liquidate within 7 days or less. It therefore invests the majority of its assets in investments that are traded in an active market. The Fund's investments in listed equity securities classified as financial assets at fair value through profit or loss are considered readily realizable as these are listed in the PSE and are heavily traded being component stocks of PSE's main index. The Fund's financial assets at fair value through profit or loss, which consist of listed equity securities and cash and cash equivalents can be liquidated within 7 days from transaction date.

Furthermore, the Fund has the ability to borrow in the short term to settle its obligations when necessary. No such borrowings have arisen in 2023 and 2022.

The Fund's financial liabilities include management and distribution fees payable, securities purchased payable and capital shares redeemed payable which are all contractually due in less than 1 month. The Fund expects to settle its obligations in accordance with their contractual maturity dates.

15.5 Capital management

The capital of the Fund is represented by total equity as shown in the statement of financial position. The Fund's BOD and the Fund Manager monitor capital on the basis of the Fund's total NAV or total equity. The Fund's total NAV or total equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of shareholders.

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

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

As at December 31, 2023 and 2022, the Fund is in compliance with the minimum required capital for investment companies.

In order to maintain or adjust the capital structure, the Fund's policies consist of the following:

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

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.

15.6 Fair value estimation

The fair value of investment securities at amortized cost, net and at fair value as at December 31, 2023 amounts to P210,792,386 (2022 - P297,845,199) and P4,054,164,701 (2022 - 4,311,041,358), respectively. The fair value of investment securities at amortized cost, net is based on market prices or broker/dealer price quotations and classified under Level 1 of the fair value hierarchy.

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

There were no transfers between the fair value hierarchy categories during 2023 and 2022.

16 Summary of material accounting policies

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

16.1 Basis of preparation

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

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

The preparation of these financial statements in conformity with PFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. There are no areas where assumptions and estimates are significant to the financial statements of the Fund as at reporting date. The areas involving a higher degree of judgment or complexity are disclosed in Note 14.

Changes in accounting policy and disclosures

(a) Amendments to existing standards adopted by the Fund

The following amendments to existing standards have been adopted by the Fund effective January 1, 2023:

Amendments to PAS1, 'Presentation of Financial Statements', and PFRS Practice Statement 2

The amendment requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, PFRS Practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The adoption of this amendment resulted to changes in the accounting policies disclosure in Note 16 series.

(a) New standards, interpretations and amendments not yet adopted.

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

16.2 Financial assets

16.2.1 Recognition and initial measurement

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

16.2.2 Classification and subsequent measurement

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

As at December 31, 2023 and 2022, the Fund has no financial assets under FVOCI category.

The classification for debt and equity instruments are described below:

Debt instruments

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

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

- *Amortized cost*

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

Deposits held at call with banks and short-term highly liquid investments are presented as cash equivalents with maturities of three months or less from the date of acquisition.

- *Fair value through profit or loss (FVTPL)*

Assets that do not meet the criteria for amortized cost or FVOCI and the collection of contractual cash flows is only incidental to achieving the Fund's business model objective are measured at fair value through profit or loss. A gain or loss on a debt security that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of total comprehensive income under 'Net income (losses) on financial assets at fair value through profit or loss' in the period in which it arises.

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

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

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

Equity investments

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

16.2.3 Impairment

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

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

Credit impaired financial assets

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

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

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

Impairment of other financial assets

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

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

16.2.4 Derecognition

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

16.3 Financial liabilities

Classification and measurement

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

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

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Financial liabilities designated at fair value through profit or loss are those that are not classified as held-for-trading but are managed and their performance is evaluated on a fair value basis. Gains and losses arising from changes in fair value are included in profit or loss. The Fund has no financial liabilities that are classified at fair value through profit loss as at December 31, 2023 and 2022.

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

16.4 Redeemable shares

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

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

Redeemable shares can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's trading NAV (Note 11) calculated in accordance with the Fund's prospectus. The excess of redemption amount over the par value of shares redeemed are first applied against the related share premium and then to the related retained earnings.

16.5 Functional and presentation currency

Subscriptions and redemptions of the Fund's redeemable shares are denominated in Philippine Peso ("Peso"). The primary activity of the Fund is to invest in portfolio of equity securities traded in the Philippine Stock Exchange ("PSE") and other fixed income securities or instruments which are denominated in Peso. The BOD considers the Peso as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Peso, which is the functional and presentation currency.

16.6 Income tax

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

Current income tax

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

The Fund primarily earns dividend income from its investments in equity securities which is tax-exempt. Sale of financial assets at fair value through profit or loss is subject to other percentage tax while interest income from cash and cash equivalents, short-term investments and investment security at amortized cost is subject to final withholding tax. Such interest income is presented gross of taxes paid or withheld and the related tax is presented in the statement of total comprehensive income as income tax expense.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss.

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

The Fund reassesses at each reporting date the need to recognize a previously unrecognized DTA.

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

17 Supplementary information required by the Bureau of Internal Revenue

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

Documentary stamp tax

Total documentary stamp taxes on share subscriptions for the year ended December 31, 2023 amount to P478,087 which was already paid as at year-end.

Withholding tax

Withholding taxes for the year ended December 31, 2023 amount to P9,955,255 of which P807,757 is outstanding as at December 31, 2023 and is lodged under other liabilities in the statement of financial position.

All other local and national taxes

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

	Amount
Municipal and other related taxes	215,422
Community tax	10,575
	<u>225,997</u>

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

There are no other local and national taxes accrued as at December 31, 2023.

Tax cases and assessments

On November 8, 2023, the Fund received a Letter of Authority from BIR dated November 3, 2023 for the examination of books of accounts and other accounting records for all internal revenue taxes for taxable year 2022. As at December 31, 2023, the Fund has not received any Final Assessment Notice from the BIR.

As at December 31, 2023, open taxable years are 2023 and 2022. The Fund is also not a party to any outstanding tax case with the BIR.

Others

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