

# BPI PERA Corporate Income Fund

**Financial Statements**

**As at and for the years ended December 31, 2023 and 2022**



## Independent Auditor's Report

To the Unitholders and Trustee of  
**BPI PERA Corporate Income Fund**  
27th Floor, Ayala Triangle Gardens 2  
Paseo de Roxas corner Makati Avenue  
Makati City

### Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BPI PERA Corporate Income Fund (the "Fund") as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended 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 total comprehensive income for the years ended December 31, 2023 and 2022;
- the statements of changes in net assets attributable to holders of redeemable units for the years ended December 31, 2023 and 2022;
- the statements of cash flows for the years ended December 31, 2023 and 2022; 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 (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 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 Code of Ethics.

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Independent Auditor's Report  
To the Unitholders and Trustee of  
BPI PERA Corporate Income Fund  
Page 2

#### **Other Matter - Restriction on Use**

This report is intended solely for the information and use of the unitholders, the trustee of BPI PERA Corporate Income Fund and the Bangko Sentral ng Pilipinas and is not intended for any other purpose.

#### **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 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.



Independent Auditor's Report  
To the Unitholders and Trustee of  
BPI PERA Corporate Income Fund  
Page 3

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.



Independent Auditor's Report  
To the Unitholders and Trustee of  
BPI PERA Corporate Income Fund  
Page 4

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

**Isla Lipana & Co.**

A handwritten signature in black ink that reads "Dexter Toledaña".

Dexter DJ V. Toledaña  
Partner

CPA Cert. No. 121827

P.T.R. No. 0032961; issued on January 12, 2024 at Makati City

T.I.N. 255-979-765

BIR A.N. 08-000745-241-2023, issued on January 30, 2023; effective until January 29, 2026

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

Makati City  
June 19, 2024

**BPI PERA Corporate Income Fund**

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

	<b>Notes</b>	<b>2023</b>	<b>2022</b>
<b>Assets</b>			
<b>CURRENT ASSETS</b>			
Deposits in banks	2	141,761	144,309
Financial assets at fair value through profit or loss	3,9	14,187,828	12,568,316
Receivables	4	131,516	222,002
<b>Total assets</b>		<b>14,461,105</b>	<b>12,934,627</b>
<b>Liabilities and Net assets attributable to holders of redeemable units</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	5	17,332	14,425
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	6	<b>14,443,773</b>	<b>12,920,202</b>
<b>Total liabilities and net assets attributable to holders of redeemable units</b>		<b>14,461,105</b>	<b>12,934,627</b>

(The notes on pages 1 to 15 are an integral part of these financial statements.)

## BPI PERA Corporate Income Fund

Statements of Total Comprehensive Income  
For the years ended December 31, 2023 and 2022  
(All amounts in Philippine Peso)

	Notes	2023	2022
<b>INCOME</b>			
Net income (loss) on financial assets at fair value through profit or loss			
Interest income	3	707,342	616,761
Fair value gain (loss)	3	291,521	(543,501)
Realized loss on sale	3	(16,525)	(11,964)
Interest income on deposits in banks	2	7,012	3,053
Dividend income	3	382	899
Other income		-	1,125
		989,732	66,373
<b>EXPENSES</b>			
Trust fees	8	170,242	158,067
Others	7	19,300	13,881
		189,542	171,948
<b>INCOME (LOSS) BEFORE TAX</b>		800,190	(105,575)
INCOME TAX EXPENSE		-	-
<b>NET INCOME (LOSS) FOR THE YEAR</b>		800,190	(105,575)
OTHER COMPREHENSIVE INCOME		-	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>		800,190	(105,575)

(The notes on pages 1 to 15 are an integral part of these financial statements.)

## BPI PERA Corporate Income Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units  
For the years ended December 31, 2023 and 2022  
(All amounts in Philippine Peso)

	Notes	2023	2022
<b>BALANCES AS AT JANUARY 1</b>		12,920,202	11,573,964
<b>COMPREHENSIVE INCOME (LOSS)</b>			
Net income (loss) for the year		800,190	(105,575)
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		800,190	(105,575)
<b>TRANSACTIONS WITH UNITHOLDERS</b>			
Issuance of units	4,6	1,564,915	2,733,156
Redemption of units	6	(841,534)	(1,281,343)
Total transactions with unitholders		723,381	1,451,813
<b>BALANCES AS AT DECEMBER 31</b>	6	14,443,773	12,920,202

(The notes on pages 1 to 15 are an integral part of these financial statements.)



**BPI PERA Corporate Income Fund**

Statements of Cash Flows  
For the years ended December 31, 2023 and 2022  
(All amounts in Philippine Peso)

	<b>Notes</b>	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before tax		800,190	(105,575)
Adjustments for:			
Net (income) loss on financial assets at fair value through profit or loss:			
Interest income	3	(707,342)	(616,761)
Fair value (gain) loss	3	(291,521)	543,501
Realized loss on sale	3	16,525	11,964
Interest income on deposits in banks	2	(7,012)	(3,053)
Dividend income	3	(382)	(899)
Interest received	2,3,4	704,713	597,240
Dividends received	3,4	509	1,288
Operating income before changes in working capital		515,680	427,705
Changes in working capital			
Increase in accounts payable and accrued expenses		2,907	2,099
Net cash generated from operations		518,587	429,804
Proceeds from sale of securities	3	5,507,737	7,208,396
Payments on acquisition of securities	3	(6,852,253)	(9,026,385)
Net cash used in operating activities		(825,929)	(1,388,185)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of redeemable units	4.6	1,664,915	2,683,156
Payments for redemptions of redeemable units	6	(841,534)	(1,281,343)
Net cash from financing activities		823,381	1,401,813
NET (DECREASE) INCREASE IN DEPOSITS IN BANKS		(2,548)	13,628
DEPOSITS IN BANKS			
<b>At January 1</b>		144,309	130,681
<b>At December 31</b>	2	141,761	144,309

(The notes on pages 1 to 15 are an integral part of these financial statements.)

## BPI PERA Corporate Income Fund

Notes to the Financial Statements

As at and for the years ended December 31, 2023 and 2022

(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

### 1 General information

BPI PERA Corporate Income Fund (the "Fund") is a Unit Investment Trust Fund (UITF) established pursuant to the related provisions under Republic Act No. 9505 (otherwise known as the "Personal Equity and Retirement Account Act of 2008") and operated subject to the provisions of the Fund's Plan Rules and regulations issued by the Bangko Sentral ng Pilipinas (BSP). UITFs are created by virtue of BSP Circular No. 447 which governs the administration and investments of UITFs and requires that an external audit of the Fund be conducted annually. The Fund was launched as a UITF on December 19, 2016.

The Fund was organized to engage in the sale of its units and investment of the proceeds thereof in a diversified mix of fixed income and equity securities primarily issued by Philippine corporations. As an open-end pooled trust fund, the Fund stands ready at any time to redeem its outstanding units at a value defined under the Fund's Plan Rules.

BPI Asset Management and Trust Corporation ("BPI-AMTC") serves as the Fund Manager (the "Fund Manager") and Trustee (the "Trustee") of the Fund. BPI-AMTC is a wholly-owned subsidiary of Bank of the Philippine Islands ("BPI" or the "Parent Bank"), a domestic commercial bank with an expanded banking license in the Philippines. The Fund Manager's registered office address, which is also its principal place of business, is at 27th Floor Ayala Triangle Gardens 2, Paseo de Roxas corner Makati Avenue, Makati City. The Fund has no employees.

In February 2023, BPI AMTC announced the change in its trade name from BPI Asset Management and Trust Corporation to BPI Wealth - A Trust Corporation, or simply BPI Wealth.

The Fund's proprietary assets and/or assets owned within and outside the Philippines are under the custody of Hongkong and Shanghai Banking Corporation Limited and Philippine Depository and Trust Corporation.

#### *Approval of the financial statements*

These financial statements have been approved and authorized for issuance by the Fund's Trustee on June 19, 2024.

### 2 Deposits in banks

	2023	2022
Time	118,000	130,000
Savings	23,761	14,309
	141,761	144,309

In 2023, time deposits earn interest at effective rates ranging from 3.26% to 4.80% (2022 - 0.20% to 4.40%). Savings deposits are non-interest bearing.

For the year ended December 31, 2023, interest income earned from the above deposits amounts to P7,012 (2022 - P3,053). Interest receivable amounts to P31 (2022 - P32) as at December 31, 2023 (Note 4).

### 3 Financial assets at fair value through profit or loss (FVTPL)

The account at December 31 consists of the following investments that are considered held for trading:

	2023	2022
Corporate debt securities	14,178,428	12,558,471
Listed equity securities	9,400	9,845
	14,187,828	12,568,316

The detailed list of investments is presented in Note 9.

In 2023 and 2022, investments in corporate debt securities earn interest at annual rates ranging from 2.64% to 8.51%.

For the year ended December 31, 2023, interest income earned from investments in corporate debt securities amounts to P707,342 (2022 - P616,761), of which P131,485 (2022 - P121,843) remains collectible as at December 31, 2023 (Note 4).

For the year ended December 31, 2023, dividend income earned from investments in listed equity securities amounts to P382 (2022 - P899). Dividends receivable as at December 31, 2023 amounts to nil (2022 - P127) (Note 4).

Movements in the account for the years ended December 31 follows:

	2023	2022
At January 1	12,568,316	11,305,792
Additions	6,852,253	9,026,385
Disposals and maturities	(5,524,262)	(7,220,360)
Fair value adjustment, net	291,521	(543,501)
At December 31	14,187,828	12,568,316

Payments on acquisitions of securities in 2023 amount to P6,852,253 (2022 - P9,026,385).

For the year ended December 31, 2023, proceeds from disposals of financial assets at FVTPL amount to P5,507,737 (2022 - P7,208,396). Realized loss on sale of financial assets at FVTPL presented in the statement of total comprehensive income amounts to P16,525 (2022 - P11,964).

### 4 Receivables

The account at December 31 consists of:

	Notes	2023	2022
Interest receivable	2,3	131,516	121,875
Capital shares receivable		-	100,000
Dividend receivable	3	-	127
		131,516	222,002

Capital shares receivable pertains to subscriptions made by investors with outstanding collections as at year-end.

## 5 Accounts payable and accrued expenses

The account at December 31 consists of:

	Note	2023	2022
Trust fees payable	8	15,332	14,004
Accrued professional fees		2,000	421
		17,332	14,425

## 6 Net asset attributable to holders of redeemable units

The consideration received or paid for units issued or redeemed is based on the value of the Fund's net asset value (NAV) per redeemable unit at the date of transaction. The total equity as shown in the statement of financial position represents the Fund's NAV based on Philippine Financial Reporting Standards (PFRS NAV).

NAV consists of principal and accumulated earnings.

As at December 31, 2023, the PFRS NAV is equal to the Fund's trading NAV amounting to P14,445,185 (2022 - P12,920,190) decreased by an adjustment on accrual of professional fees amounting to P1,412 (2022 - increased by P12). This adjustment is due to timing differences only and does not materially affect the reported trading NAV of the Fund.

Details of the Fund's trading NAV per unit at December 31 follows:

	2023	2022
Trading NAV	14,445,185	12,920,190
Outstanding units	12,572,844	11,935,357
NAV per unit	1.15	1.08

Proceeds from issuance and payments for redemptions of units for the year ended December 31, 2023 amount to P1,664,915 and P841,534, respectively (2022 - P2,683,156 and P1,281,343, respectively).

The movements in the number of redeemable units of the Fund are as follows:

	2023	2022
At January 1	11,935,357	10,613,548
Issuances	1,393,598	2,497,004
Redemptions	(756,111)	(1,175,195)
At December 31	12,572,844	11,935,357

## 7 Other expenses

The account for the years ended December 31 consists of:

	2023	2022
Professional fees	2,072	419
Custody fees	1	1
Others	17,227	13,461
	19,300	13,881

The Fund has an existing custodian agreement with HSBC 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 0.000002% (2022 - 0.00001%) of the average daily NAV of the Fund.

Others pertain to real-time gross settlement fees, time deposit placement fees and trade transfer fees.

## 8 Related party transactions

As the Fund's Trustee, BPI Wealth shall have the exclusive management, administration, operation and control of the Fund and full discretion in respect of investments, and the sole right, at any time, to sell, convert, reinvest, exchange, transfer or otherwise change or dispose of the assets comprising the Fund.

In consideration for the management, distribution and administration services, the Fund pays BPI Wealth a fee of not more than 1.25% per annum based on the Fund's average daily NAV, net of applicable taxes.

Total trust fees for the year ended December 31, 2023 amount to P170,242 (2022 - P158,067), of which P15,332 (2022 - P14,004) remains unpaid and recorded under accounts payable and accrued expenses in the statement of financial position as at December 31, 2023 (Note 5).

There were no remunerations paid by the Fund to the members of the Trustee's Board of Directors.

### *Transactions with the Parent Bank*

In the normal course of business, the Fund transacts with the Trustee's Parent Bank, BPI. These transactions such as deposit arrangements are made in the normal operating activities and have terms and conditions that are generally comparable to those offered to non-related parties and to similar transactions in the market. All amounts are payable in cash at gross amount.

Details of the transactions and outstanding balances with BPI are as follows:

As at and for the year ended December 31, 2023	Transactions for the year, net	Outstanding balance	Terms and conditions
Savings deposits	9,452	23,761	- These are non-interest bearing savings deposits.
As at and for the year ended December 31, 2022			
Savings deposits	3,629	14,309	- These are non-interest bearing savings deposits.
Time deposits	73,000	-	- These are time deposits bearing interest rate of 4.00%.
Interest income on deposits	24	-	- These are interest income earned on time deposits.

The Fund's units are being distributed through the BPI branches. BPI acts as the receiving bank for the subscriptions and redemptions related to the Fund.

## 9 Breakdown of financial assets at FVTPL

The details of the Fund's investments are as follows:

As at December 31, 2023

Security description	Maturity date	Market value
<i>Philippine corporate debt securities</i>		
Converge ICT Solutions Inc.	April 8, 2027	1,946,433
North Luzon Expressway Energy Development Corporation	July 4, 2028	1,340,000
Robinsons Land Corporation	June 25, 2024	1,190,989
SM Prime Holdings, Inc.	August 26, 2027	980,386
Aboitiz Power Corporation	July 26, 2026	730,844
D&L Industries, Inc.	October 25, 2028	674,536
Ayala Land, Inc.	September 14, 2024	564,509
SM Investment Corporation	October 10, 2033	511,296
Robinsons Land Corporation	February 18, 2027	470,806
Robinsons Land Corporation	July 17, 2025	430,857
Aboitiz Equity Ventures	June 30, 2028	398,927
Ayala Land, Inc.	August 6, 2027	360,529
PLDT, Inc.	July 4, 2029	351,271
Ayala Land, Inc.	February 6, 2024	349,466
SM Prime Holdings, Inc.	September 30, 2024	344,729
Aboitiz Equity Ventures	April 22, 2032	335,541
SM Prime Holdings, Inc.	August 9, 2025	330,763
Aboitiz Equity Ventures	March 25, 2025	302,466
Robinsons Land Corporation	September 21, 2033	300,958
Ayala Land, Inc.	June 30, 2026	284,543
Aboitiz Equity Ventures	May 5, 2028	278,997
Ayala Corporation	June 18, 2029	245,411
Filinvest Land, Inc.	February 10, 2025	244,374
Ayala Land, Inc.	June 1, 2027	230,467
Filinvest Land, Inc.	May 6, 2026	227,370
SM Prime Holdings, Inc.	August 20, 2025	196,435
Aboitiz Equity Ventures	March 25, 2027	189,611
Ayala Land, Inc.	December 7, 2029	156,618
SM Prime Holdings, Inc.	May 2, 2027	95,258
GT Capital Holdings, Inc.	September 1, 2024	59,628
Manila Electric Company	August 7, 2024	49,600
	December 12, 2025	4,810
		14,178,428
Security description	No. of shares	Market value
<i>Listed equity securities</i>		
GT Capital Holdings, Inc.	10	9,400
		9,400
		14,187,828

As at December 31, 2022

Security description	Maturity date	Market value
<i>Philippine corporate debt securities</i>		
Converge ICT Solutions Inc.	April 8, 2027	1,260,188
Energy Development Corporation	May 3, 2023	998,165
North Luzon Expressway	July 4, 2028	995,090
SM Prime Holdings, Inc.	July 26, 2026	696,632
Manila Electric Company	December 12, 2025	589,756
D&L Industries, Inc	September 14, 2024	552,408
Aboitiz Power Corporation	October 25, 2028	505,523
Metropolitan Banking & Trust Corporation	April 24, 2023	502,674
Energy Development Corporation	June 25, 2024	496,469
SM Investment Corporation	February 18, 2027	467,542
Ayala Land, Inc.	October 10, 2033	462,925
Robinsons Land Corporation	July 17, 2023	452,227
Robinsons Land Corporation	July 17, 2025	426,995
Aboitiz Equity Ventures	August 6, 2027	345,410
PLDT, Inc.	February 6, 2024	343,541
Ayala Land, Inc.	September 30, 2024	340,739
Aboitiz Equity Ventures	August 9, 2025	322,024
SM Prime Holdings, Inc.	March 25, 2025	294,060
Aboitiz Equity Ventures	November 16, 2023	290,048
Century Properties, Inc.	January 7, 2023	249,965
Ayala Land, Inc.	May 5, 2028	272,181
Ayala Corporation	February 10, 2025	241,801
Aboitiz Equity Ventures	June 18, 2029	241,236
Ayala Land, Inc.	May 6, 2026	227,865
Filinvest Land, Inc.	August 20, 2025	194,517
SM Prime Holdings, Inc.	March 25, 2027	181,047
Filinvest Land, Inc.	November 8, 2023	148,575
Petron Corporation	October 27, 2023	98,242
Ayala Land, Inc.	May 2, 2027	94,713
SM Prime Holdings, Inc.	September 1, 2024	58,709
SMC Global Power Holdings Corporation	July 11, 2023	58,640
GT Capital Holdings, Inc.	February 27, 2023	49,893
Globe Telecom, Inc.	July 17, 2023	49,701
GT Capital Holdings, Inc.	August 7, 2024	48,970
		12,558,471
Security description	No. of shares	Market value
<i>Listed equity securities</i>		
GT Capital Holdings, Inc.	10	9,845
		9,845
		12,568,316

## 10 Financial risk and capital management

### 10.1 Risk management process

The Fund's activities expose it to financial risks: market risk (primarily price risk and interest rate risk), credit risk and liquidity risk. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund's financial performance.

The management of these risks is carried out by the Trustee under the policies approved by the Board of Directors. The Board of Directors approves written policies covering overall risk management. Any prospective investment shall be limited to the type of investments described in the Plan Rules of the Fund thereby limiting the risk exposure of the Fund to the risks inherent on investments approved by the investors.

The Fund's objective is to achieve for its participants capital appreciation and income derived from a diversified mix of preferred stocks and fixed income securities primarily issued by Philippine corporations. The Fund aims to provide returns in excess of the return of the BPI Philippine Corporate Bond Index.

### 10.2 Market risk

The Fund trades financial instruments, taking tactical and strategic positions in traded equity and fixed income instruments. Trading positions are reported at estimated market value with changes reflected in profit or loss. Trading positions are subject to various risk factors, which primarily include exposures to price and interest rate risk. Price risk arises from investments held by the Fund for which prices in the future are uncertain, while interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of the Fund's financial assets and liabilities and future cash flows.

The Fund's overall market position is monitored on a daily basis by the Trustee and is reviewed on a monthly basis by the Board of Directors. Compliance with the Fund's investment policies is reported to the Board of Directors on a monthly basis.

#### 10.2.1 Interest rate risk

The Fund's interest rate risk exposure primarily relates to debt securities, pertaining to financial assets at FVTPL and time deposits, whose market values fluctuate as a result of changes in interest rates or factors specific to its issuer.

Interest rate risk is measured using duration and contained through duration limits. In addition, the Trustee manages interest rate risk through diversification and careful selection of securities and other financial instruments within specified limits as indicated in the Fund's Plan Rules.

The sensitivity to a reasonable possible change in market interest rates of the Fund's income (loss) before tax is approximated via modified duration approach.

The following table demonstrates the sensitivity to reasonable possible shift of  $\pm 100$  bps in interest rates for the years ended December 31 with all other variables held constant:

	2023	2022
Increase/decrease in net assets attributable to holders of redeemable units and net income (loss)	409,724	333,742

#### 10.2.2 Price risk

The Trustee manages price risk through diversification and careful selection of securities and other financial instruments within specified limits as indicated in the Fund's Plan Rules. The exposure of the Fund to a single entity and its related parties shall not exceed 15% of the NAV except for non-risk assets as defined by the BSP. In the case of exchange-traded equity securities, the maximum exposure of the Fund to each issuer shall be 15% or the benchmark percent weighting of the issuer, whichever is higher.



The Fund's policy is to concentrate its investment portfolio in sectors where the Fund can maximize the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the percentage exposures of the Fund to each sector as at December 31:

	2023	2022
Property	42%	33%
Industrial	17%	26%
Holdings	15%	17%
Others	26%	24%
	100%	100%

To estimate its exposure to price risk, the Trustee evaluates the impact of changes in the PSEi on the Fund's net income (loss) on financial assets at FVTPL for the years ended December 31:

	2023	2022
Changes in PSEi	14.53%	21.06%
Increase/decrease on net income (loss) on financial assets at FVTPL	504	584

The sensitivity analysis takes into account the annualized volatility of the PSEi for the past period. Annualized volatility determines how much the return of the Fund will deviate from normal returns because of the movement in the PSEi.

### 10.3 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 to the other party by failing to discharge an obligation.

The Fund's main credit exposures are from corporate debt securities classified as financial assets at FVTPL. The Fund is also exposed to counterparty credit risk on deposits in banks and receivables.

Credit risk is minimized through diversification or by investing in a variety of investments belonging to different sectors or industries. The Fund manages credit risk through the selection and approval of counterparties and brokers with stable credit ratings.

In accordance with the Fund's policy, the Fund's overall credit position is monitored on a daily basis by the Trustee and is reviewed on a monthly basis by the Board of Directors.

All transactions in traded securities are coursed through approved counterparties. Pre-settlement and/or settlement risk exposures are earmarked against approved trading lines and lifted upon settlement of the transaction.

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

	2023	2022
Deposits in banks	141,761	144,309
Financial assets at FVTPL	14,178,428	12,558,471
Receivables	131,516	222,002
	14,451,705	12,924,782

For financial assets at amortized cost, the Fund measures credit risk and the expected credit losses (ECL) using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any ECL. As a result, no loss allowance has been recognized based on 12-month ECL as any such impairment would be insignificant to the Fund.

As at December 31, 2023, and 2022, all of the Fund's financial assets are classified as stage 1 accounts (performing). There are no financial assets classified under stages 2 (underperforming) and 3 (impaired).

The credit quality of the Fund's financial assets as at December 31, 2023 and 2022 follows:

*(a) Deposits in banks*

The Fund's deposit accounts are maintained with highly reputable universal banks in the Philippines with a credit rating of Baa2 for BPI and Baa3 for Rizal Commercial Banking Corporation by Moody's and BBB for Landbank of the Philippines by Fitch.

*(b) Financial assets at FVTPL*

The Fund invests primarily in high yield investment securities. Unrated securities are investments in various medium and long-term corporate debt securities that are from counterparties with no history of default with the Fund.

*(c) Receivables*

The Fund's receivables arise mainly from interest receivable, capital shares receivable and dividend receivable. The counterparties involved do not have any history of default with the Fund.

Interest receivable arises mainly from interest earned on deposits in banks and investments in corporate debt securities classified as financial assets at FVTPL.

Capital shares receivable pertains to subscriptions made by investors with outstanding collections as at year-end.

Dividend receivable arises from dividends declared but not yet distributed as of period end.

#### **10.4 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 to the Fund.

The Fund is exposed to daily cash redemptions of redeemable units. It therefore invests the majority of its assets in investments that are regularly traded in an active market and can be readily disposed of. The Fund's investment portfolio consists mainly of equity securities listed in the Philippine Stock Exchange, deposit instruments and fixed income instruments that are regularly traded in active markets.

In accordance with the Fund's policy, the Trustee monitors the Fund's liquidity position on a daily basis and excess cash position is invested in securities that are readily realizable to ensure that redemptions are funded within the prescribed period indicated in the Fund's Plan Rules.

The Trustee also has in place a liquidity contingency plan drawn up specifically for its UITFs and other managed accounts. The liquidity contingency plan provides a framework for addressing potential liquidity crisis situations which consists of identifying early warning indicators of a potential liquidity problem, setting out response action plans and defining the roles and responsibilities of key units and personnel to effectively manage the liquidity situation and ensure client's liquidity requirements are met in a timely and orderly manner.

The Fund's financial liabilities pertain to trust fees payable and accrued professional fees, which are contractually due within twelve (12) months from the reporting date.

Overall, due to the Fund's structure and strong liquidity position, the liquidity risk exposure of the Fund is negligible.

## **10.5 Fair value of financial instruments**

As at December 31, 2023, the Fund's financial assets at FVTPL representing listed equity securities amounting to P9,400 (2022 - P9,845) are classified under Level 1. Corporate debt securities amounting to P14,178,428 (2022 - P12,558,471), which are designated at FVTPL are classified under Level 2. There are no financial instruments measured at fair value which are classified under Level 3. There were no transfers between the fair value hierarchy during the reporting period.

The fair value of listed equity securities which are listed in the Philippine Stock Exchange is based on the closing price in Bloomberg.

The fair value of Philippine corporate debt securities which are traded in active markets is based on the closing prices from PDEX. In the absence of done transactions, bid prices are used. In the absence of both closing and bid prices, the price is derived based on the corresponding government security reference rate plus risk premium.

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.

## **10.6 Capital management**

The capital of the Fund is represented by the net assets attributable to holders of redeemable units as shown in the statement of financial position. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for the unitholders of the Fund. Units are redeemed on demand at the holder's discretion.

As at reporting date, the Fund does not foresee any imminent significant redemptions as holders of these investments typically retain their holdings for the medium-term to long-term period.

The Fund is not subject to externally imposed minimum capital requirements.

## **11 Summary of material accounting policies**

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

### **11.1 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, Standing Interpretations Committee and International Financial Reporting Interpretations Committee which have been approved by the Financial and Sustainability Reporting Standards Council and adopted by the Securities and Exchange Commission (SEC).

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVTPL.

There are currently no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Fund's financial statements.

## Changes in accounting policy and disclosures

### *(a) Amendments to existing standards adopted by the Fund*

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

#### *i. Amendments to PAS 1, 'Presentation of Financial Statements', and PFRS Practice Statement 2*

The amendments require 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 these amendments, 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 these amendments resulted in changes in the accounting policies disclosed by the Fund.

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

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2024 and have not been early adopted in preparing these financial statements. None of these are considered relevant and expected to have a material effect on the financial statements of the Fund.

## 11.2 Financial assets

### *11.2.1 Classification and subsequent measurement*

The Fund applies PFRS 9 and classifies its financial assets in the following measurement categories: at FVTPL and at amortized cost.

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

#### *Debt instruments*

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

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.

*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 FVTPL. 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 SPPI (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 FVTPL.

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.

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 FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any ECL recognized and measured. Interest income on these financial assets is included in 'Interest income' using the effective interest rate method. Amortized cost financial assets include deposits in banks and receivables.

Amortized cost financial assets include deposits held at call with a bank and short-term highly liquid investments with original maturities of three months or less from the date of acquisition, which are considered as cash and cash equivalents.

- *FVTPL*

Assets that are held for trading are measured at FVTPL. A gain or loss on a debt security that is subsequently measured at FVTPL 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 (loss) on financial assets at fair value through profit or loss' in the period in which it arises. The Fund's investments in debt securities continue to be classified as FVTPL as disclosed in Notes 3 and 9.

### *Equity investments*

The Fund subsequently measures all equity investments at FVTPL.

Dividends, when representing a return on such investments, are 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 FVTPL are included in 'Net income (loss) on financial assets at FVTPL' in the statement of total comprehensive income. Equity investments classified as financial assets at FVTPL are disclosed in Notes 3 and 9.

### 11.2.2 Impairment

The Fund assesses on a forward-looking basis the ECL associated with its debt instrument carried at amortized cost. 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.

At each reporting date, the Fund shall measure the loss allowance on deposits in banks and receivables at an amount equal to the lifetime ECL if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month ECL. Significant financial difficulties of the counterparties, probability that the counterparties will enter bankruptcy or financial reorganization, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

### 11.3 Financial liabilities

The Fund classifies its financial liabilities at amortized cost.

Financial liabilities measured at amortized cost include trust fee payable and accrued professional fees.

### 11.4 Fair value measurement

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

### 11.5 Subscriptions and redemptions

Subscriptions and additional investments are recorded upon receipt of notice of subscription from unitholders. Redemptions are recorded upon receipt of notice of redemption.

## 11.6 Redeemable units

The Fund issues redeemable units, which are redeemable at the holder's option and are classified as equity in accordance with PAS 32, *Financial Instruments: Presentation*. The equity of the Fund is represented by the net assets attributable to holders of redeemable units. Each unit has the following features which allow it to be classified as an equity:

- it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- the unit has no priority over other claims to the assets of the Fund on liquidation, and it does not need to be converted into another instrument before it is classified as such; and
- all units impose a contractual obligation on the Fund to deliver a pro rata share of its net assets on liquidation.

In addition, the Fund has no other financial instrument or contract that has:

- total cash flows based substantially on 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 (excluding any effects of such instrument or contract); and
- the effect of substantially restricting or fixing the residual return to the unitholders.

Should the redeemable units' terms or conditions change such that they do not comply with the strict criteria as mentioned above, the redeemable units would be reclassified to 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 units are issued and redeemed at prices based on the Fund's trading NAV per unit at the time of issue or redemption. The Fund's trading NAV per unit is calculated by dividing the net assets attributable to the holders of redeemable units with the total number of outstanding redeemable units. In accordance with the provisions of the Fund's regulations, investment positions are valued based on the closing price for the purpose of determining the NAV per unit for subscriptions and redemptions.

Redeemable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV calculated in accordance with the Fund's regulations.

## 11.7 Revenue and expense recognition

### *Net income (loss) on financial assets at fair value through profit or loss*

Net income (loss) on financial assets at FVTPL includes all realized and unrealized fair value changes and interest income.

### *Interest income on financial assets measured at amortized cost*

Interest is recognized on a time-proportion basis using the effective interest rate method. Interest income on financial assets measured at amortized cost includes interest from deposits in banks.

### *Dividend income*

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

### *Trust fees and other expenses*

Expenses are recognized in the period in which they are incurred.

## **11.8 Taxation**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which the 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 interest income from deposits in banks and investments in debt securities and dividend income from investments in listed equity securities. Both interest income on deposits in banks and investments in debt securities and dividend income from investments in listed equity securities are tax exempt under Republic Act No. 9505.

## **11.9 Functional and presentation currency**

The subscriptions and redemptions of the Fund's redeemable units are denominated in Philippine Peso. The performance of the Fund is measured and reported to the investors in Philippine Peso. The Fund's Trustee considers the Philippine Peso as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Philippine Peso, which is the Fund's functional currency.

## **11.10 Related party relationships and transactions**

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