

BPI Philippine Dollar Bond Index Fund

Financial Statements

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



pwc



Independent Auditor's Report

To the Unitholders and Trustee of
BPI Philippine Dollar Bond Index 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 Philippine Dollar Bond Index 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 (PFRSs).

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.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, www.pwc.com/ph



Independent Auditor's Report
To the Unitholders and Trustee of
BPI Philippine Dollar Bond Index 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 Philippine Dollar Bond Index 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 PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 Philippine Dollar Bond Index 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 Philippine Dollar Bond Index 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 "Ruth F. Blasco".

Ruth F. Blasco

Partner

CPA Cert No. 112595

P.T.R. No. 0018519, issued on January 11, 2024, Makati City

TIN 235-725-236

BIR A.N. 08-000745-133-2023, issued on May 9, 2023; effective until May 8, 2026

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

Makati City
June 19, 2024

BPI Philippine Dollar Bond Index Fund

Statements of Financial Position
As at December 31, 2023 and 2022
(All amounts in United States Dollar)

	Notes	2023	2022
Assets			
CURRENT ASSETS			
Deposits in banks	2	439,782	235,194
Financial assets at fair value through profit or loss	3,9	34,740,928	37,150,263
Receivables	4	573,334	550,531
Total assets		35,754,044	37,935,988
Liabilities and Net assets attributable to holders of redeemable units			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	5	43,728	17,667
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	6	35,710,316	37,918,321
Total liabilities and net assets attributable to holders of redeemable units		35,754,044	37,935,988

(The notes on pages 1 to 16 are an integral part of these financial statements.)

BPI Philippine Dollar Bond Index Fund

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

	Notes	2023	2022
INCOME (LOSS)			
Net income (loss) on financial assets at fair value through profit or loss			
Fair value gain (loss)	3	1,963,361	(5,834,624)
Interest income	3	1,889,789	1,912,142
Realized loss on sale	3	(1,188,292)	(2,932,460)
Interest income on deposits in banks	2	146	68
Other income		-	160,000
		2,665,004	(6,694,874)
EXPENSES			
Trust fees	8	89,647	97,972
Other	7	7,028	8,369
		96,675	106,341
INCOME (LOSS) BEFORE TAX		2,568,329	(6,801,215)
FINAL WITHHOLDING TAX		47,486	60,610
NET INCOME (LOSS) FOR THE YEAR		2,520,843	(6,861,825)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		2,520,843	(6,861,825)

(The notes on pages 1 to 16 are an integral part of these financial statements.)

BPI Philippine Dollar Bond Index 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 United States Dollar)

	Notes	2023	2022
BALANCES AS AT JANUARY 1		37,918,321	48,416,833
COMPREHENSIVE INCOME (LOSS)			
Net income (loss) for the year		2,520,843	(6,861,825)
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		2,520,843	(6,861,825)
TRANSACTIONS WITH UNITHOLDERS			
Issuance of units	6	12,908,716	16,583,158
Redemption of units	5,6	(17,637,564)	(20,219,845)
Total transactions with unitholders		(4,728,848)	(3,636,687)
BALANCES AS AT DECEMBER 31	6	35,710,316	37,918,321

(The notes on pages 1 to 16 are an integral part of these financial statements.)

BPI Philippine Dollar Bond Index Fund

Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(All amounts in United States Dollar)

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before tax		2,568,329	(6,801,215)
Adjustments for:			
Net (income) loss on financial assets at fair value through profit or loss			
Fair value (gain) loss	3	(1,963,361)	5,834,624
Interest income	3	(1,889,789)	(1,912,142)
Realized loss on sale	3	1,188,292	2,932,460
Interest income on deposits in banks	2	(146)	(68)
Interest received	2,3,4	1,867,123	1,994,780
Operating income before changes in working capital		1,770,448	2,048,439
Changes in working capital			
Decrease in receivables		9	1,557,044
Decrease in accounts payable and accrued expenses		(525)	(20,744)
Net cash from operations		1,769,932	3,584,739
Proceeds from sale of securities	3	21,084,575	18,670,666
Payments on acquisition of securities	3	(17,900,171)	(18,856,559)
Final taxes withheld		(47,486)	(60,610)
Net cash from operating activities		4,906,850	3,338,236
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of redeemable units	6	12,908,716	16,583,158
Payments for redemption of redeemable units	6	(17,610,978)	(20,214,431)
Net cash used in financing activities		(4,702,262)	(3,631,273)
NET INCREASE (DECREASE) IN DEPOSITS IN BANKS		204,588	(293,037)
DEPOSITS IN BANKS			
At January 1		235,194	528,231
At December 31	2	439,782	235,194

(The notes on pages 1 to 16 are an integral part of these financial statements.)

BPI Philippine Dollar Bond Index 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 United States Dollar (USD) unless otherwise stated]

1 General information

BPI Philippine Dollar Bond Index Fund (the "Fund") is a Unit Investment Trust Fund (UITF) established in accordance with, and operates 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 also governs the administration and investments of UITFs and requires that an external audit of the Fund be conducted annually.

The BSP approved the Fund's Plan Rules on April 12, 2006. The Fund has formally commenced its operations on December 27, 2006.

The Fund was organized to engage in the sale of its units and investment of the proceeds thereof in Philippine sovereign and corporate securities which intends to achieve investment returns that closely track the return of a Dollar-denominated index, the JP Morgan Asia Credit Philippines Total Return Index. 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 ("Fund Manager") and Trustee ("Trustee") of the Fund. 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.

On June 19, 2019, the Board of Directors of BPI Wealth approved the amendments to the Fund's Plan Rules to reflect the change in the name of the Fund from BPI Philippine Dollar Bond Index Fund to BPI Invest Philippine Dollar Bond Index Fund. The change was noted by the BSP on August 16, 2019 and was effective on September 16, 2019.

On July 19, 2023, the Board of Directors of BPI Wealth approved the amendments to the Fund's Plan Rules to reflect the change in the name of the Fund from BPI Invest Philippine Dollar Bond Index Fund to BPI Philippine Dollar Bond Index Fund. The change was noted by the BSP on August 3, 2023 and was effective on August 24, 2023.

The Fund Manager is a wholly-owned subsidiary of Bank of the Philippine Islands ("BPI" or "Parent Bank"), a domestic commercial bank with an expanded banking license in the Philippines.

The Fund's proprietary assets and/or assets owned within and outside the Philippines are under the custody of Hong Kong and Shanghai Banking Corporation Ltd. (HSBC) (Note 7).

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

The account at December 31 consists of:

	2023	2022
Savings	144,782	100,194
Time	295,000	135,000
	439,782	235,194

Deposits in banks earn interest at effective rates ranging from 0.05% to 1.75% in 2023 and 2022.

For the year ended December 31, 2023, interest income earned from the above deposits amounts to USD146 (2022 - USD68), of which USD75 (2022 - USD11) represents interest receivable 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:

	2023	2022
Philippine government debt securities	23,853,318	25,277,038
Philippine corporate debt securities	10,887,610	11,873,225
	34,740,928	37,150,263

The detailed list of investments is presented in Note 9.

For the year ended December 31, 2023, investments in Philippine government and Philippine corporate debt securities earn interest at annual rates ranging from 1.65% to 10.63% (2022 - 1.65% to 10.63%).

For the year ended December 31, 2023, interest income earned from the above securities amounts to USD1,889,789 (2022 - USD1,912,142), of which USD573,259 (2022 - USD550,511) represents interest receivable as at December 31, 2023 (Note 4).

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

	2023	2022
At January 1	37,150,263	47,270,792
Additions	17,900,171	17,317,221
Disposals	(22,272,867)	(21,603,126)
Fair value adjustment, net	1,963,361	(5,834,624)
At December 31	34,740,928	37,150,263

Payments on acquisition of securities in 2023 is USD17,900,171 (2022 - USD18,856,559).

For the year ended December 31, 2023, proceeds from disposals of financial assets at FVTPL amount to USD21,084,575 (2022 - USD18,670,666). Realized loss on sale of financial assets at FVTPL presented in the statement of total comprehensive income amounts to USD1,188,292 (2022 - USD2,932,460).

4 Receivables

The account as at December 31 consists of:

	Notes	2023	2022
Interest receivable	2,3	573,334	550,522
Others		-	9
		573,334	550,531

Others pertain to advance payment for securities.

5 Accounts payable and accrued expenses

The account at December 31 consists of:

	Note	2023	2022
Capital shares redeemed payable		34,414	7,828
Trust fees payable	8	7,479	7,948
Others		1,835	1,891
		43,728	17,667

Capital shares redeemed payable represents redemptions made by investors which are yet to be paid as at year-end.

Others represent accrued professional and custodian fees.

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 the 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 USD35,710,203 (2022 - USD37,918,409) increased by adjustment on accrual of professional fees amounting to USD113 (2022 - decreased by USD88). 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 as December 31 follow:

	2023	2022
Trading NAV	35,710,203	37,918,409
Outstanding units	150,699	172,010
Trading NAV per unit	236.96	220.44

Proceeds from issuance and payments for redemption of units for the year ended December 31, 2023 amount to USD12,908,716 and USD17,610,978, respectively (2022 - USD16,583,158 and USD20,214,431, respectively).

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

	2023	2022
At January 1	172,010	188,648
Issuances	57,264	73,609
Redemptions	(78,575)	(90,247)
At December 31	150,699	172,010

7 Other expenses

The account for the years ended December 31 consist of:

	2023	2022
Custody fees	5,491	7,280
Professional fees	1,537	1,089
	7,028	8,369

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 0.0011% (2022 - 0.0024%) per annum of the average daily trading NAV of the Fund.

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 above management, distribution and administration services, the Fund pays BPI Wealth a fee of not more than 0.25% per annum based on the Fund's trading NAV, net of applicable taxes.

Total trust fees for the year ended December 31, 2023 amount to USD89,647 (2022 - USD97,972), of which USD7,479 (2022 - USD7,948) remains unpaid and recorded under accounts payable and accrued expenses in the statement of financial position (Note 5).

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

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

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 government debt securities</i>		
ROP - 20300202 - 00902	February 2, 2030	1,865,828
ROP - 20341023 - 00902	October 23, 2034	1,680,426
ROP - 20280201 - 00902	February 1, 2028	1,413,795
ROP - 20250316 - 00902	March 16, 2025	1,394,098
ROP - 20410301 - 00902	March 1, 2041	1,359,274
ROP - 20310114 - 00902	January 14, 2031	1,214,567
ROP - 20460706 - 00902	July 6, 2046	1,213,359
ROP - 20320115 - 00902	January 15, 2032	1,149,933
ROP - 20260330 - 00912	March 30, 2026	1,078,262
ROP - 20370113 - 00902	January 13, 2037	1,076,324
ROP - 20420202 - 00902	February 2, 2042	986,413
ROP - 20451210 - 00902	December 10, 2045	960,363
ROP - 20330717 - 00902	July 17, 2033	926,325
ROP - 20480117 - 00902	January 17, 2048	917,641
ROP - 20400120 - 00902	January 20, 2040	906,860
ROP - 20450505 - 00902	May 5, 2045	753,780
ROP - 20290114 - 00912	January 14, 2029	674,695
ROP - 20310610 - 00902	June 10, 2031	616,155
ROP - 20330413 - 00902	April 13, 2033	534,985
ROP - 20270329 - 00902	March 29, 2027	450,457
ROP - 20471013 - 00902	October 13, 2047	446,600
ROP - 20470329 - 00902	March 29, 2047	445,810
ROP - 20300505 - 00902	May 5, 2030	434,228
ROP - 20280717 - 00902	July 17, 2028	401,960
ROP - 20241021 - 00902	October 21, 2024	262,585
ROP - 20271013 - 00902	October 13, 2027	255,000
ROP - 20320106 - 00902	January 6, 2032	230,042
ROP - 20320929 - 00902	September 29, 2032	203,553
		23,853,318
<i>Philippine corporate debt securities</i>		
JG Summit Holdings, Inc.	July 9, 2030	563,148
Metropolitan Bank and Trust Company	January 15, 2026	561,018
Development Bank of the Philippines	March 11, 2031	489,546
Globe Telecom, Inc.	August 2, 2026	473,530
Manila Water Company	July 30, 2030	455,590
San Miguel Corporation	July 29, 2025	438,256
SMC Global Power Holdings Corporation	May 5, 2025	397,440
Power Sector Assets & Liabilities Management Corporation	December 2, 2024	381,341
Ayala Corporation	September 23, 2026	343,728
International Container Terminal Services, Inc.	February 5, 2026	332,241
Aboitiz Equity Ventures Inc.	January 16, 2030	331,279
SMC Global Power Holdings Corporation	December 9, 2026	316,604
International Container Terminal Services, Inc. (forwarded)	September 17, 2025	300,666

<i>(continued)</i>		
Vista Land & Lifescapes Inc.	November 28, 2024	292,710
International Container Terminal Services, Inc.	June 17, 2030	291,180
Jollibee Foods Corporation	January 23, 2025	291,051
SMC Global Power Holdings Corporation	January 21, 2026	286,913
SMC Global Power Holdings Corporation	April 25, 2024	285,552
International Container Terminal Services, Inc.	November 16, 2031	261,426
Rizal Commercial Banking Corporation	August 27, 2025	237,728
Petron Corporation	April 19, 2026	234,580
Union Bank of the Philippines, Inc.	October 22, 2025	233,883
ACEN Corporation	March 8, 2025	223,807
SMC Global Power Holdings Corporation	October 21, 2025	222,633
PLDT, Inc.	June 23, 2050	217,956
Rizal Commercial Banking Corporation	September 11, 2024	214,539
Philippine National Bank	September 27, 2024	195,254
Vista Land & Lifescapes Inc.	July 20, 2027	195,038
Jollibee Foods Corporation	January 24, 2026	192,772
Filinvest Development Corporation	September 17, 2025	192,632
Ayala Corporation	October 30, 2024	190,066
Jollibee Foods Corporation	June 24, 2030	187,888
BDO Unibank, Inc.	January 13, 2026	186,976
Megaworld Corporation	July 30, 2027	186,388
Globe Telecom, Inc.	July 23, 2035	186,098
PLDT, Inc.	January 23, 2031	181,018
Globe Telecom, Inc.	July 23, 2030	162,386
AC Energy Corporation	November 25, 2025	152,749
		10,887,610
		34,740,928

As at December 31, 2022

Security description	Maturity date	Market value
<i>Philippine government debt securities</i>		
ROP 04132033 902-TE	April 13, 2033	1,799,908
ROP 01062032 902-TE	January 6, 2032	1,697,269
ROP 10132047 902-TE	October 13, 2047	1,398,124
ROP 10232034 902-TE	October 23, 2034	1,369,183
ROP 02022030 902-TE	February 2, 2023	1,318,631
ROP 06102031 902-TE	June 10, 2031	1,316,684
ROP 01142029 912-TX	January 14, 2029	1,289,655
ROP 02012028 902-TE	February 1, 2028	1,208,805
ROP 03012041 902-TE	March 1, 2041	1,111,460
ROP 10132027 902-TE	October 13, 2027	1,023,310
ROP 10212024 902-TE	October 21, 2024	972,726
ROP 03162025 902-TE	March 16, 2025	970,790
ROP 02022042 902-TE	February 2, 2042	935,111
ROP 03292027 902-TE	March 29, 2027	871,047
ROP 01202040 902-TE	January 20, 2040	848,400
ROP 07062046 902-TE	July 6, 2046	818,328
ROP 01212024 902-TE	January 21, 2024	793,416
ROP 01132037 902-TE	January 13, 2037	778,680
ROP 03302026 912-TX	March 30, 2026	729,194
ROP 05052045 902-TE	May 5, 2045	719,770
ROP 03292047 902-TE	March 29, 2047	684,960
ROP 09292032 902-TE	September 29, 2032	638,512
ROP 01142031 902-TE	January 14, 2031	625,660
ROP 01152032 902-TE	January 15, 2032	557,635
ROP 05052030 902-TE	May 5, 2030	428,618
ROP 12102045 902-TE	December 10, 2045	371,162
		25,277,038
<i>Philippine corporate debt securities</i>		
Power Sector Assets & Liabilities Management Corporation		
	December 2, 2024	698,638
SM Investments Corporation	June 10, 2024	678,719
ACEN Corporation	March 8, 2025	622,022
ACEN Corporation	November 25, 2025	610,119
ACEN Corporation	January 29, 2024	533,890
San Miguel Corporation	July 29, 2025	409,436
Globe Telecom, Inc.	July 23, 2030	404,910
Petron Corporation	July 19, 2023	394,637
Manila Water Company	July 30, 2030	338,372
Ayala Corporation	October 30, 2024	331,277
Aboitiz Equity Ventures Inc.	January 16, 2030	317,030
<i>(forwarded)</i>		

<i>(continued)</i>		
International Container Terminal Services, Inc.	February 5, 2026	316,649
International Container Terminal Services, Inc.	September 17, 2025	295,944
Vista Land & Lifescapes Inc.	November 28, 2024	282,375
Jollibee Foods Corporation	January 23, 2025	273,093
Metropolitan Bank and Trust Company	January 15, 2026	269,082
Development Bank of the Philippines	March 11, 2031	262,689
International Container Terminal Services, Inc.	June 17, 2030	261,138
SMC Global Power Holdings Corporation	May 5, 2025	249,949
Security Bank Corporation	September 29, 2025	247,523
SMC Global Power Holdings Corporation	January 21, 2026	245,672
International Container Terminal Services, Inc.	November 16, 2031	231,519
Union Bank of the Philippines, Inc.	October 22, 2025	227,225
Globe Telecom, Inc.	July 23, 2035	216,225
Rizal Commercial Banking Corporation	August 27, 2025	214,838
Petron Corporation	April 19, 2026	210,165
Rizal Commercial Banking Corporation	September 11, 2024	207,964
PLDT, Inc.	June 23, 2050	202,365
Filinvest Development Corporation	September 17, 2025	196,002
SMC Global Power Holdings Corporation	October 21, 2025	191,123
Vista Land & Lifescapes Inc.	July 20, 2027	190,854
Jollibee Foods Corporation	January 24, 2026	189,688
Philippine National Bank	September 27, 2024	188,032
Megaworld Corporation	July 30, 2027	182,808
BDO Unibank, Inc.	January 13, 2026	181,580
Jollibee Foods Corporation	June 24, 2030	180,096
Globe Telecom, Inc.	August 2, 2026	179,452
JG Summit Holdings, Inc.	July 9, 2030	175,540
PLDT, Inc.	January 23, 2031	171,417
Ayala Corporation	September 23, 2026	161,398
SMC Global Power Holdings Corporation	December 9, 2026	131,770
		11,873,225
		37,150,263

10 Financial risk and capital management

10.1 Risk management process

The Fund's activities expose it to financial risks: market risk (primarily 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 in investments approved by the investors.

The Fund aims to achieve investment returns that closely track the total return of the JP Morgan Asia Credit Philippines Total Return Index, before fees and taxes, by investing in a diversified portfolio of Philippine sovereign and corporate fixed income instruments.

10.2 Market risk

The Fund trades in financial instruments comprising the tracked index. Investment positions are reported at estimated market value with changes reflected in profit or loss. Investment positions are subject to various risk factors, which primarily include exposures to interest rate risk. 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 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 their issuer. The Fund's overall market positions is monitored on a daily basis by the Trustee and 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.

Interest rate risk is measured using duration and contained through duration limits. In addition, tracking error is also computed for the Fund monthly to determine how closely the Fund is able to track the benchmark returns.

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

The following table demonstrates the sensitivity to reasonable possible shift of $\pm 1\%$ in interest rates for the years ended December 31 with all other variables held constant:

	2023	2022
Increase/decrease on income (loss) before tax	2,345,364	2,552,716

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 for the other party by failing to discharge an obligation.

The Fund's main credit risk exposures are from investments in 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 by 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 Trustee's 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	439,782	235,194
Financial assets at FVTPL	34,740,928	37,150,263
Receivables	573,334	550,531
	35,754,044	37,935,988

For financial assets measured at amortized cost, the Fund measures credit risk and the expected credit loss (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 Stage 2 (underperforming) and Stage 3 (impaired).

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

(a) Deposits in banks

As at December 31, 2023 and 2022, the Fund's deposit accounts are maintained with highly reputable universal banks in the Philippines, with an average credit rating of Baa2 by Moody's.

(b) Financial assets at FVTPL

The Fund invests primarily in high yield investment instruments and securities. As at December 31, 2023 and 2022, the Fund's debt securities issued by the Philippine government and certain Philippine corporations have an average credit rating of Baaa2 by Moody's. The unrated securities are investments in various medium and long-term corporate debt securities issued by the Philippine corporations with no history of default with the Fund.

	2023	2022
Lower medium grade	33,174,074	35,346,375
Unrated	1,566,854	1,803,888
	34,740,928	37,150,263

(c) Receivables

The Fund's receivables include interest receivable and other receivables.

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

Others pertain to advance payments for securities. The related balance as at December 31, 2022 has been cleared subsequently.

Receivables are considered fully collectible as at December 31, 2023 and 2022.

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 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 positions are 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 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 that client's liquidity requirements are met in a timely and orderly manner.

The Fund's financial liabilities pertain to capital shares redeemed payable, trust fees payable, and accrued professional and custodian fees, which are all 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 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 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 to long-term period.

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

10.6 Fair value of financial instruments

The Fund's financial assets at FVTPL representing government securities amounting to USD23,853,318 (2022 - USD25,277,038) as at December 31, 2023 are classified as Level 1. Corporate debt securities amounting to USD10,887,610 (2022 - USD11,873,225), 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 categories in the fair value hierarchy during the reporting periods.

The fair value of USD-denominated Philippine government and corporate debt securities which are traded in active markets is based on the prices from Bloomberg.

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

11 Summary of material accounting policies

The principal 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 (PFRSs). The term PFRSs, in general, includes all applicable PFRSs, 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 Philippine Securities and Exchange Commission.

These 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 amendments 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 instruments

11.2.1 *Measurement methods*

Initial recognition, measurement and derecognition

Financial assets and financial liabilities are recognized when the entity 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.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are recognized as expense in the statement of total comprehensive income. Immediately after initial recognition, ECL allowance, as applicable, is recognized for financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income (FVOCI), if any, as described in Note 11.3.2.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Fund recognizes the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished (i.e., when the obligation is discharged or is cancelled or has expired).

11.3 Financial assets

11.3.1 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 and trade receivables purchased from clients in factoring arrangements without recourse.

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

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

- *Amortized cost*

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any ECL 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 deposits held at call with banks and short-term highly liquid investments with maturities of three months or less from the date of acquisition which are considered as cash equivalents.

- *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 FVTPL. A gain or loss on a debt security that is subsequently measured 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 are continued to be classified as FVTPL as disclosed in Notes 3 and 9.

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.

11.3.2 Impairment

The Fund assesses on a forward-looking basis the ECL associated with its debt instruments 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.

11.4 Financial liabilities

The Fund classifies its financial liabilities at amortized cost. The liabilities subsequently measured at amortized cost include accounts payable and accrued expenses.

11.5 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.

The Fund has no financial assets and liabilities carried at fair value other than its investments in Philippine government and corporate debt securities classified as financial assets at FVTPL (Notes 3 and 9).

11.6 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.

11.7 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 the 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 entity 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 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 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 last traded market 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 trading NAV calculated in accordance with the Fund's regulations.

11.8 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 and other investment.

Trust fees and other expenses

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

11.9 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 cash deposits and fixed income securities which are subject to final withholding tax. Such income is presented at gross amount and the related final tax is presented in the statement of total comprehensive income as final withholding tax. Realized gain on sale of financial assets at FVTPL is recorded net of applicable taxes.

11.10 Functional and presentation currency

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

11.11 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.