

# AIA Peso Equity Fund

## Financial Statements

As at and for the years ended December 31, 2024 and 2023  
and for the period from February 17 to  
December 31, 2023



**pwc**



## Independent Auditor's Report

To the Board of Directors and Unitholders of  
**AIA Peso Equity Fund**  
25th Floor, AIA Philippines Tower, 8767 Paseo de Roxas  
Makati City, 1226, Philippines

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

#### **Our Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AIA Peso Equity Fund (the "Fund") as at December 31, 2024 and 2023, and its financial performance and its cash flows for the year ended December 31, 2024 and for the period from February 17 to December 31, 2023, in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

#### *What we have audited*

The financial statements comprise:

- the statements of financial position as at December 31, 2024 and 2023;
- the statements of total comprehensive income for the year ended December 31, 2024 and for the period from February 17 to December 31, 2023;
- the statements of changes in net assets attributable to holders of redeemable units for the year ended December 31, 2024 and for the period from February 17 to December 31, 2023;
- the statements of cash flows for the year ended December 31, 2024 and for the period from February 17 to December 31, 2023; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

#### **Basis for Opinion**

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

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

#### *Independence*

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

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

This report is intended solely for the information and use of the unitholders, the trustee of AIA Peso Equity 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 these financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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



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

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



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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, appearing to read 'Imelda Dela Vega Mangundaya', written over the printed name.

Imelda Dela Vega Mangundaya  
Partner

CPA Cert. No. 0090670

PTR No. 0024586, issued on January 3, 2025, Makati City

TIN 152-015-124

BIR A.N. 08-000745-047-2024, issued on October 30, 2024; effective until October 29, 2027

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

Makati City  
April 22, 2025

## AIA Peso Equity Fund

Statements of Financial Position  
As at December 31, 2024 and 2023  
(All amounts in Philippine Peso)

	Notes	2024	2023
<b>Assets</b>			
<b>Current assets</b>			
Cash in bank	2	3,546,045	563,112
Financial assets at fair value through profit or loss	3,9	506,978,824	217,236,833
Dividend receivable	4	2,751,684	163,746
<b>Total assets</b>		<b>513,276,553</b>	<b>217,963,691</b>
<b>Liabilities and net assets attributable to holders of redeemable units</b>			
<b>Current liabilities</b>			
Accrued expenses and other liabilities	5	936,687	258,432
<b>Net assets attributable to holders of redeemable units</b>	6	<b>512,339,866</b>	<b>217,705,259</b>
<b>Total liabilities and net assets attributable to holders of redeemable units</b>		<b>513,276,553</b>	<b>217,963,691</b>

The notes on pages 1 to 14 are an integral part of these financial statements.

## AIA Peso Equity Fund

Statements of Total Comprehensive Income  
For the year ended December 31, 2024  
and for the period from February 17 to December 31, 2023  
(All amounts in Philippine Peso)

	Notes	2024	2023
<b>Income</b>			
Income on financial assets at fair value through profit or loss			
Unrealized gain	3	4,174,263	2,688,466
Realized gain (loss)	3	690,499	(834,852)
Dividend income	3	10,302,905	2,617,092
Interest income	2	52,427	81,493
Other income		848	-
		15,220,942	4,552,199
<b>Expenses</b>			
Trustee fees	8	1,434,581	437,079
Operating expenses	7	4,187,850	624,441
		5,622,431	1,061,520
<b>Income before tax</b>		9,598,511	3,490,679
Final withholding tax		(10,485)	(16,299)
<b>Net income for the period</b>		9,588,026	3,474,380
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		9,588,026	3,474,380

The notes on pages 1 to 14 are an integral part of these financial statements.

## AIA Peso Equity Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units  
For the year ended December 31, 2024  
and for the period from February 17 to December 31, 2023  
(All amounts in Philippine Peso)

	Notes	Total
<b>Balances as at February 17, 2023</b>		-
<b>Comprehensive income</b>		
Net income for the period		3,474,380
Other comprehensive income		-
Total comprehensive income for the period		3,474,380
<b>Transactions with unit holders</b>		
Issuance of units	6	214,465,957
Redemption of units	6	(235,078)
Total transactions with unit holders		214,230,879
<b>Balances as at December 31, 2023</b>		217,705,259
<b>Comprehensive income</b>		
Net income for the period		9,588,026
Other comprehensive income		-
Total comprehensive income for the period		9,588,026
<b>Transactions with unit holders</b>		
Issuance of units	6	288,469,192
Redemption of units	6	(3,422,611)
Total transactions with unit holders		285,046,581
<b>Balances as at December 31, 2024</b>		512,339,866

The notes on pages 1 to 14 are an integral part of these financial statements.

## AIA Peso Equity Fund

Statements of Cash Flows  
For the year ended December 31, 2024  
and for the period from February 17 to December 31, 2023  
(All amounts in Philippine Peso)

	Notes	2024	2023
<b>Cash flows from operating activities</b>			
Income before tax		9,598,511	3,490,679
Adjustments for:			
Income (loss) on financial assets at fair value through profit or loss (FVTPL):			
Realized (gain) loss on investments	3	(690,499)	834,852
Unrealized gain on investments	3	(4,174,263)	(2,688,466)
Dividend income	3	(10,302,905)	(2,617,092)
Interest income on cash in bank	2	(52,427)	(81,493)
Operating loss before changes in working capital		(5,621,583)	(1,061,520)
Change in working capital:			
Increase in accrued expenses and other liabilities		678,255	258,432
Net cash used in operations		(4,943,328)	(803,088)
Acquisition of securities	3	(296,593,217)	(227,043,952)
Sale of securities	3	11,715,988	11,660,733
Dividends received		7,714,967	2,453,346
Interest received		52,427	81,493
Final taxes paid		(10,485)	(16,299)
Net cash used in operating activities		(282,063,648)	(213,667,767)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of redeemable units	6	288,469,192	214,465,957
Payments for redemption of redeemable units	6	(3,422,611)	(235,078)
Net cash from financing activities		285,046,581	214,230,879
<b>Net increase in cash in bank</b>		2,982,933	563,112
<b>Cash in bank</b>			
At January 1		563,112	-
At December 31		3,546,045	563,112

The notes on pages 1 to 14 are an integral part of these financial statements.

## **AIA Peso Equity Fund**

Notes to the Financial Statements

As at and for the years ended December 31, 2024 and 2023  
and for the period from February 17 to December 31, 2023  
(Amounts are shown in Philippine Peso unless, otherwise stated)

### **1 General information**

AIA Peso Equity Fund (the "Fund") is a Unit Investment Trust Fund (UITF) established in accordance with, and operated subject to the provisions of the Fund's Declaration of Trust and the 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 February 17, 2023.

The fund aims to achieve capital growth by investing predominantly in Philippine Stock Exchange listed-companies that comply with AIA Group's exclusion policy on coal, tobacco and ammunitions. The fund aims to outperform the total return of Philippine Stock Exchange Index or PCOMP Index.

AIA Investment Management and Trust Corporation Philippines ("AIAIM PH") serves as the Fund Manager (the "Fund Manager") and Trustee (the "Trustee") of the Fund. AIAIM PH is a wholly owned subsidiary of AIA Philippines Life and General Insurance Company Inc., incorporated in the Philippines and registered with the Securities and Exchange Commission ("SEC") on October 12, 1971.

AIA Philippines is a wholly-owned entity of AIA Company Limited ("AIA"), a company incorporated in Hong Kong with limited liability, whose ultimate holding company is AIA Group Limited ("AIAGL"), a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited. AIA PH was incorporated in the Philippines and registered with the SEC.

The Fund has no employees.

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

### **Approval of the financial statements**

These financial statements have been approved and authorized for issue by the Fund's Trustee on April 22, 2025.

### **2 Cash in bank**

The account at December 31, 2024 consists of saving deposit that earns interest at effective rates ranging from 4.90% to 5.250% (2023 - 2.75% to 5.30%).

For the year ended December 31, 2024, interest income earned from the above deposits amount to P52,427 (2023 - P81,493).

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

The account at December 31 consists of investments in listed equity securities. The detailed list of investments is disclosed in Note 9. These investments are held for trading.

For the year ended December 31, 2024, dividend income earned from investments in listed equity securities amounts to P10,302,905 (2023 - P2,617,092). Dividend receivable is disclosed in Note 4.

Movements in the account for the year ended December 31, 2024 and for the period from February 17, 2023 to December 31, 2024 follows:

	Notes	2024	2023
January 1		217,236,833	-
Additions		296,593,217	227,043,952
Disposals		(11,025,489)	(12,495,585)
Fair value adjustment, net		4,174,263	2,688,466
At December 31	9	506,978,824	217,236,833

Proceeds from disposals of financial assets at FVTPL made for the year ended December 31, 2024 amount to P11,715,988 (2023 - P11,660,733). Realized gain on sale of financial assets at FVTPL in 2024 amounts to P690,499 (2023 - P834,852: realized loss) and is presented in the statement of total comprehensive income.

#### 4 Dividend receivables

The account at December 31 consists of dividend receivable earned from financial assets at fair value through profit that are yet to be received at period end.

#### 5 Accrued expenses and other liabilities

The accounts at December 31, 2024 and 2023 consists of:

	Notes	2024	2023
Transaction fees payable		273,950	179,264
Trustee fees payable		300,889	61,075
Fund administrative fees payable		35,001	16,889
Custodian fees payable		13,159	1,204
Professional fees payable	7	313,688	-
		936,687	258,432

Transaction fees payable represents transfer agency and central dealing fees.

Trustee fees are related to management services performed by AIAIM PH (Note 8).

Fund administrative fees are service fees being charged by HSBC (Notes 1 and 7).

Custodian fees payable represents due to HSBC custodial services for the Fund's proprietary assets (Note 1).

#### 6 Net assets attributable to holders of redeemable units

The consideration received or paid for units issued or re-purchased is based on the value of the Fund's 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).

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

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

NAV consists of principal and accumulated earnings.

Details of the Fund's trading NAV per unit at December 31, 2024 and 2023 follows:

	2024	2023
Trading NAV	512,339,866	217,705,259
Outstanding units	485,789,680	214,809,050
Trading NAV per unit	1.0547	1.0135

Proceeds from issuance and payments for redemption of units for the year ended December 31, 2024 amount to P288,469,192 and P3,422,611, respectively (2023 - P214,465,957 and P235,078 respectively).

The movements of the Fund follows:

	Units	Amount
February 17, 2023	-	-
Issuances	215,045,861	214,465,957
Redemptions	(236,811)	(235,078)
At December 31, 2023	214,809,050	214,230,879
Issuances	274,161,845	288,469,192
Redemptions	(3,181,215)	(3,422,611)
At December 31, 2024	485,789,680	499,277,460

## 7 Operating expenses

The accounts for the year ended December 31, 2024 and for the period from February 17, 2023 to December 31, 2023 consists of:

	2024	2023
Transaction fees	3,555,748	461,510
Custody and fund administration fees	318,414	162,681
Professional fees	313,688	-
Bank service charges	-	250
	4,187,850	624,441

Transaction fees represent transfer agency fees and central dealing fees.

Fund administration fees represent services provided by HSBC Philippines.

AIAIM PH 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 0.015% per annum of the month-end market value of the asset of the Fund.

Professional fees represent audit fees, which remain outstanding as at year-end (Note 5).

## 8 Related party transactions

As the Fund's Trustee, AIAIM PH 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 2024, the Fund pays AIAIM PH a fee of not more than 0.3368% per annum based on the Fund's trading NAV, net of applicable taxes (2023 - 0.3368%).

Total trustee fees for the year ended December 31, 2024 amount to P1,434,581, of which P300,889 remains unpaid as at December 31, 2024 (2023 - P437,079; P61,075). The unpaid portion is recorded under accrued expenses and other liabilities in the statement of financial position (Note 5).

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

## 9 Breakdown of financial assets at FVTPL

The details of the Fund's investments in listed equity securities as at December 31 are as follows:

Description	2024		2023	
	No. of shares	Market value	No. of shares	Market value
SM Investments Corporation	86,630	77,880,370	35,480	30,938,560
BDO Unibank Inc Ord Php10	452,660	65,183,040	219,900	28,696,950
Bank of the Philippine Islands Ord Php10	511,168	62,362,496	253,368	26,299,598
International Container Terminal Services Inc Ord Php	152,420	58,834,120	61,610	15,205,348
SM Prime Holdings Inc	1,959,100	49,271,365	878,900	28,915,810
Ayala Land Inc	1,494,200	39,148,040	670,300	23,091,835
Jollibee Foods Corporation	125,590	33,783,710	56,350	14,166,390
Metropolitan Bank and Trust	348,880	25,119,360	170,140	8,728,182
Globe Telecom Inc Ord Php50	8,870	19,372,080	3,980	6,845,600
PLDT Inc Ord Php5	13,715	17,760,925	6,155	7,872,245
Universal Robina	218,000	17,222,000	99,320	11,739,624
Monde Nissin Corp Ord Npv	1,785,800	15,357,880	799,000	6,695,620
Century Pacific Food Inc Ord Php1	159,000	6,670,050	-	-
Converge Ict Solutions Inc Ord Npv	291,000	4,696,740	130,600	1,094,428
Puregold Price Club Inc Ord Npv	132,400	4,084,540	60,300	1,622,070
Wilcon Depot Inc Ord Php1	257,100	3,676,530	117,100	2,447,390
Alliance Global Group Inc Ord Php1	393,200	3,538,800	179,100	2,020,248
Emperador Inc Ord Php1	90,100	1,627,206	41,100	856,935
Bloomberry Resorts Corp Ord Php1	303,400	1,389,572	-	-
	8,783,233	506,978,824	3,782,703	217,236,833

## 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), 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 policies approved by its BOD. The BOD approves written policies covering overall risk management. Any prospective investment shall be limited to the type of investments described in the Declaration of Trust thereby limiting the risk exposure of the Fund to the risks inherent in investments approved by the investors.

The Fund's objective is to attain long-term capital growth for Peso Equity Fund investors. To achieve this, the Fund will be invested in a concentrated portfolio of stocks listed on the PSE. The Fund seeks to outperform the PSEi.

### 10.2 Market risk

The Fund trades financial instruments, taking tactical and strategic positions in traded equity 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 risk.

This arises from investments held by the Fund for which prices in the future are uncertain.

The Fund's overall market positions are monitored on a daily basis by the Trustee. Compliance with the Fund's investment policies are reported to the Trustee's BOD.

### Price risk

The Trustee manages price risk through diversification and careful selection of securities within specified limits as indicated in the Fund's Declaration of Trust. The exposure of the Fund to a single entity and its related parties shall not exceed fifteen percent (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 percent exposures of the Fund to each sector as at December 31:

	2024	2023
Financials	30.11%	29.33%
Property	17.71%	23.94%
Food and beverage	14.73%	15.40%
Holding firms	16.06%	15.17%
Transportation	11.60%	7.00%
Telecommunications	7.32%	6.78%
Retail	1.53%	1.87%
Information technology	0.93%	0.50%
	100.00%	100.00%

The following table demonstrates the sensitivity to a reasonable possible shift of  $\pm 100$  bps in the PSEi for the year ended December 31, 2024 and for the period from February 17 to December 31, 2023 with all other variables held constant:

	2024	2023
Increase/decrease on net income on financial assets at FVTPL	9,588	3,474

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

### Interest rate risk

The Fund is not exposed to interest rate risk, as it does not hold financial assets and liabilities with fair values that significantly fluctuate with interest rate movements.

### Foreign exchange risk

The Fund has no foreign currency-denominated financial assets and liabilities subject to the effects of fluctuation in foreign exchange rates.

## 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 cash in bank and receivables. The carrying amounts of these financial assets, as shown in the statement of financial position, represent the Fund's maximum exposure to credit risk.

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.

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, 2024 and 2023 is the carrying amount of the financial assets as set out below:

	Notes	2024	2023
Cash in bank	2	3,546,045	563,112
Receivables	4	2,751,684	163,746
		6,297,729	726,858

For financial assets measured at amortized cost, which consists of cash in bank and receivables, the Fund measures credit risk and 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, 2024 and 2023, 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, 2024 and 2023 follows:

*(a) Cash in bank*

The Fund's deposit exposure is with a highly reputable universal bank in the Philippines with a credit rating of Baa2 by Moody's.

*(b) Receivables*

The Fund's receivable arise mainly from dividend receivable. Dividend receivable arises from dividends declared but not yet received as at year-end.

Receivables are considered to be fully collectible as at December 31, 2024 and 2023.

#### **10.4 Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash 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 securities that are regularly traded in an active market and can be readily disposed of. The Fund's investment portfolio consists of equity securities listed in the PSE.

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 Declaration of Trust.

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 transaction fees payable, trustee fees payable and other payables which are all contractually due within twelve (12) months from the reporting date (Note 5).

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, 2024, the Fund's financial assets at FVTPL amounting to P506,978,824 (2023 - P217,236,833) are classified under Level 1. There are no financial instruments measured at fair value which are classified under Level 2 and Level 3. There were no transfers between the fair value hierarchies during the reporting periods.

The fair values of equity securities which are traded in active markets are based on the closing price in Bloomberg.

The carrying amount 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 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 significant 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 (PFRS) Accounting Standards. PFRS Accounting Standards comprise the following authoritative literature:

- PFRS Accounting Standards
- PAS Standards, and
- Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC), and Standing Interpretations Committee (SIC) as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and the Board of Accountancy, and adopted by the SEC.

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) *New standard and amendments to existing standards adopted by the Fund*

Amendments to PAS1, '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 to changes in the accounting policies disclosure in Note 11 series.

### (b) *New standard and amendments to existing standards not yet adopted by the Fund*

The following new accounting standard are not mandatory for December 31, 2024 reporting period and has not been early adopted by the Fund:

#### *PFRS 18, 'Presentation and Disclosure in Financial Statements'*

This is the new standard on presentation and disclosure in financial statements, which replaces IAS 1, with a focus on updates to the statement of profit or loss.

The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss with defined subtotals;
- requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss
- required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general

#### *PFRS 19, 'Subsidiaries without Public Accountability: Disclosures'*

This new standard works alongside other PFRS Accounting Standards. An eligible subsidiary applies the requirements in other PFRS Accounting Standards except for the disclosure requirements; and it applies instead the reduced disclosure requirements in PFRS 19. PFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. PFRS 19 is a voluntary standard for eligible subsidiaries. A subsidiary is eligible if:

- It does not have public accountability; and
- It has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with PFRS Accounting Standards

## *Amendments to the Classification and Measurement of Financial Instruments – Amendments to PFRS 9 and PFRS 7*

On May 30, 2024, the IASB issued targeted amendments to PFRS 9 Financial Instruments and PFRS 7 Financial Instruments: Disclosures to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- (a) Clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- (b) Clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest criterion;
- (c) Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- (d) Update the disclosures for equity instruments design

The adoption of PFRS 19 and amendments to PFRS 9 and PFRS 7 are not expected to have a material financial effect to the financial statements of the Fund. The Fund is still assessing the impact of PFRS 18 as at the reporting date.

There are no other new standards, amendments to existing standards, or interpretations that are effective for annual periods beginning on or after January 1, 2024 that are considered relevant or expected to have a material effect on the financial statement of the Fund.

## **11.2 Financial instruments**

### **11.2.1 Measurement methods**

#### *Amortized cost and effective interest rate*

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider ECL and includes transaction costs, premiums or discounts and other fees that are integral to the effective interest rate, such as origination fees.

When the Fund revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in the statement of total comprehensive income.

#### *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.

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).

Financial instruments are included in current assets or current liabilities, except if the financial instruments are expected to be realized or settled longer than twelve (12) months after the reporting period, which are then classified as non-current.

### **11.3 Financial assets**

#### **11.3.1 Classification and subsequent measurement**

The Fund classifies its financial assets in the following measurement categories: at FVTPL, at FVOCI and at amortized cost.

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

##### *Debt instruments*

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

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 sole 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 allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Amortized cost financial assets include cash in bank and dividend receivables.

- *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 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.

As at December 31, 2024 and 2023, the Fund has no debt instruments classified at FVTPL.

*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.

#### *Equity investments*

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

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

Equity investments classified as financial assets at FVTPL are disclosed in Notes 3 and 9.

#### **11.3.2 Impairment**

The Fund assesses on a forward-looking basis the ECL associated with its debt instruments, cash in bank and receivables 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 measures the loss allowance on cash in bank 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 measures 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 in the following categories: financial liabilities at FVTPL and financial liabilities at amortized cost.

The Fund has no financial liabilities which are held for trading or designated at FVTPL as at December 31, 2024 and 2023.

##### *Other liabilities measured at amortized cost*

Financial liabilities that are not classified as FVTPL fall into the category of other liabilities measured at amortized cost.

Financial liabilities measured at amortized cost include accounts payable and accrued expenses.

#### **11.5 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the Fund will not fulfill an obligation.

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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.

If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

The Fund has no financial assets and liabilities carried at fair value other than investments in listed equity securities classified as financial assets at FVTPL and categorized under Level 1 of the fair value hierarchy (Note 3). The carrying value of its other financial assets (cash and receivables) and financial liabilities (accrued expenses and other liabilities) approximate their fair values given their short-term maturities.

#### **11.6 Subscriptions and redemptions**

Subscriptions and additional investments by investors 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 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, 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 NAV calculated in accordance with the Fund's regulations.

## 11.8 Revenue and expense recognition

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

Interest income on cash in bank equivalents is recognized on a time proportion basis using the effective interest rate method.

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

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. The 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 has interest income from cash deposits which is 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 at net of applicable taxes.

#### **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.

#### **11.11 Offsetting of financial assets and financial liabilities**

Offsetting of balances is permitted if the entity currently has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. There are no offsetting arrangements as at December 31, 2024 and 2023.

#### **11.12 Subsequent event**

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