

COVER SHEET

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SEC Registration Number

F I L I P I N O F U N D , I N C .

(Company's Full Name)

U n i t 1 0 0 9 - 1 0 1 1 , T o w e r O n e & E x c h a n g e P l a z a , A y a l a T r i a n g l e , A y a l a A v e n u e , M a k a t i C i t y

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

Natividad P. Chua

(Contact Person)

856-5801 to 03

(Company Telephone Number)

1 2 3 1

Month Day (Fiscal Year)

SEC FORM 20-IS

(Form Type)

Month Day

(Annual Meeting)

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

Document ID

LCU

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20 - IS**

**Information Statement Pursuant to Section 20  
Of the Securities Regulation Code**

- 1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement

2. Name of Registrant as specified in its charter

**FILIPINO FUND, INC.**

3. Country of Incorporation

**Manila, Philippines**

4. SEC Identification Number

**ASO91-190385**



5. BIR Tax Identification Code

**002-284-545-000**

6. Address of principal office

**Units 1009-1011 Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226**

7. Registrant's telephone number

**(632) 856-5801**

8. Date, Time and place of the meeting

**May 9, 2017 (Tuesday), 10:00 in the morning at Ayala Room, Makati Sports Club,  
LP Leviste cor. Gallardo Streets, Salcedo Village, Makati City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders

**April 17, 2017**

10. Name of Persons other than the Registrant Filing Information Statement

**N/A**

11. Securities registered pursuant to Sections 8 and 12 of the

Title of Each Class	Number of Shares of Common Stock
<b>Common Shares 'A'</b>	<b>50,167,397</b>

12. Are any or all of registrant's securities listed on a Stock Exchange?

Yes  No

If so, disclose name of the Exchange: **PHILIPPINE STOCK EXCHANGE**

## **PART I. GENERAL INFORMATION**

### **DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS**

**Date** : May 09, 2017 (Tuesday)  
**Time** : 10:00 am  
**Place** : Ayala Room, Makati Sports Club, Makati City

**Principal Office:** 1009-1011 Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226

The approximate date on which the Information Statement is first to be sent or given to security holders is on **April 17, 2017.**

### **REVOCABILITY OF PROXY**

A person giving a proxy has the power to revoke it at any time before it is voted, upon written notice to the Corporate Secretary of the Company.

### **DISSENTERS' RIGHT OF APPRAISAL**

Any stockholder of the Corporation may exercise his appraisal right against the proposed actions which may qualify as instances giving rise to the exercise of such right pursuant to and subject to the compliance with the requirements and procedure set forth under Title X of the Corporation Code of the Philippines.

In order to avail of the appraisal right, a stockholder must have voted against the proposed corporate action. The appraisal right may be exercised by making a written demand on the Company within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. Failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, the Company shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action. If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made: Provided, That no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment: and Provided, further, That upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company. All other requirements and procedure set forth under Title X of the Corporation Code shall be complied with.

There are no matters or proposed corporate actions which may give rise to a possible exercise by security holders of their appraisal rights under Title X of the Corporation Code of the Philippines.

## **PART II. OPERATIONAL AND FINANCIAL INFORMATION**

### MARKET INFORMATION

The Fund's shares, being listed, are traded in the Philippine Stock Exchange, Inc. ("PSE") through the PSE member stockbrokers.

Market price at the end of the day is based on the PSE's closing price (in Php/share) for the Fund.

	High	Low	Quarter-end Close
<b>Year 2016</b>			
First Quarter	7.50	7.35	7.35
Second Quarter	6.86	6.53	6.86
Third Quarter	6.64	6.64	6.64
Fourth Quarter	6.95	6.60	6.60
<b>Year 2015</b>			
First Quarter	9.50	8.51	8.80
Second Quarter	6.44	6.40	6.41
Third Quarter	7.50	7.50	7.50
Fourth Quarter	7.02	7.00	7.00
<b>Year 2014</b>			
First Quarter	8.19	8.19	8.19
Second Quarter	8.50	8.00	8.14
Third Quarter	7.10	6.90	7.10
Fourth Quarter	7.05	7.05	7.05

### DIVIDENDS

On March 19, 2013, subject to the approval of the SEC and the shareholders, the Board of Directors declared the issuance of stock dividends to shareholders of record on the fifteenth (15<sup>th</sup>) day counted from the approval by the SEC of the increase in the authorized capital stock, 26,320,547 shares of stock of FFI, with an aggregate par value of PHP26,320,547.00, to be distributed to the stockholders as of said record date within eighteen (18) trading days after the record date, in proportion to their respective stockholdings as of said record date, provided that any fraction of a share shall be deemed to have not been issued. Any fractional share shall be rounded down to the nearest whole number. The record date was set on January 28, 2014 and the stock dividends were distributed to the shareholders on February 24, 2014.

The Company's declaration of cash/stock dividends in the future will depend on the Company's investment requirements, and unrestricted retained earnings, at the relevant time. This is the only restriction which may limit the Company's ability to pay/declare cash/stock dividends.

The Company did not declare any form of dividends for calendar years 2015 and 2016.

### NUMBER OF HOLDERS

FFI has a total of 5,526 stockholders owning at least one (1) share as of December 31, 2016.

## TOP 20 SHAREHOLDERS

The List provided below is as of December 31, 2016

Title of Class	Shareholder's Name	Amount of Ownership and		Percent of Class
		Nature of Ownership		
Common A	PCD NOMINEE CORPORATION (FILIPINO)	43,751,684	(b)	87.2113%
Common A	PCD NOMINEE CORPORATION (NON-FILIPINO)	266,122	(b)	0.5304%
Common A	ALLEN C. ROXAS	94,667	(b)	0.1887%
Common A	ALBERT G. ONG	90,250	(b)	0.1798%
Common A	REYMONT INC	34,711	(b)	0.0691%
Common A	SEGUNDO SEANGIO AND/OR VIRGINIA SEANGIO .	32,818	(b)	0.0654%
Common A	KA SIONG TIU	31,555	(b)	0.0628%
Common A	VICTOR, HERNANDEZ BOCALING	31,555	(b)	0.0628%
Common A	LETICIA C. SY	27,011	(b)	0.0538%
Common A	EMMANUEL HERNADEZ BOCALING	25,244	(b)	0.0503%
Common A	BENJAMIN S. TAN	25,244	(b)	0.0503%
Common A	INTERNATIONAL POLYMER CORP	22,089	(b)	0.0440%
Common A	ANTONIO SUNTAY TANJANGCO	20,826	(b)	0.0415%
Common A	WILLINGTON W. CHUA	20,524	(b)	0.0409%
Common A	NORBERTO VALDIVIA SAUCO	20,195	(b)	0.0402%
Common A	ALEXANDER JO TANCHAN	19,879	(b)	0.0396%
Common A	MA. GEORGINA VERA PEREZ	18,933	(b)	0.0377%
Common A	PATRICK YAP TONG	18,933	(b)	0.0377%
Common A	MELY NGO LIM	18,933	(b)	0.0377%
Common A	JAN CED	18,933	(b)	0.0377%

#### BRIEF DESCRIPTION OF THE GENERAL NATURE AND SCOPE OF BUSINESS OF THE REGISTRANT AND ITS SUBSIDIARIES

FFI is a closed-end investment company listed in the PSE. It has no business operations save for the normal trading of its shares in the PSE and the maintenance of its investment portfolio by the fund manager, Vicsal Investment, Inc.

FFI has no subsidiaries.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

##### Key Performance Indicators:

- a. NAV Growth – Total Net Asset Value ("NAV") of FFI in 2015 decreased by 6.17%, down by Php14.58 million from 2014. In 2016, NAV decreased by 2.48%, equivalent to a decrease of Php5.51 million from 2015.
- b. Earnings (or Loss) per Share – Earnings (or Loss) per share is computed as Net Investment Income (or Loss) divided by the weighted average number of shares outstanding. As of December 31, 2016 EPS was negative PhP0.1098 registering a positive variance from earnings of P0.1809 per share in the previous fiscal year.

- c. Portfolio Quality – The Funds' portfolio should, at all times, adhere to the investment parameters as indicated in the Funds' prospectus. The Fund invests in a mix of high grade fixed income investments and local equities.
- d. Performance vs competition - FFI ranked 14<sup>th</sup> among the equity mutual funds in 2015 with a full year return of negative 6.36%. In 2016, FFI ranked 22<sup>nd</sup> with a full year return of negative 2.51%.
- e. Market Price (MP) to Net Asset Value (NAV) - Premium of MP to NAV as of December 31, 2016 and 2015 is at 53.02% and 58.26%, respectively.

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

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

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

- (b) Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation:

Not Applicable

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

Not Applicable

- (d) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described.

None

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

Interest income received by the Fund from its investments in bonds and government securities are expected to have a favorable impact on its income.

- (f) Any significant elements of income or loss that did not arise from the issuer's continuing operations.

None

## Year 2016

Total assets as of end of 2016 amounted to PhP216.38 Million, a decrease of 2.52% (PhP5.64 Million in absolute terms) versus PhP223.70 Million as of the end of 2015. This is mainly attributed to the decrease in investment in financial assets amounting to PhP7.37 Million with an increase in cash amounting to PhP1.75 Million and PhP0.02 Million decrease in receivables. Deducting liabilities of PhP1.68 Million, net assets are valued at PhP216.38 Million, down by PhP5.510 Million compared to the same period of last year. This posted a net asset value per share (NAVPS) of PhP4.3131 and PhP4.4230 as of December 31, 2016 and 2015, respectively.

The Fund incurred gross investment income amounting to PhP0.34 Million in 2016, an increase of 103.79% from gross investment loss of PhP9.06 Million in 2015. Investment income in 2016 is composed of net trading loss of PhP3.66 Million derived from the equity and unit investment trust funds, total dividend income on equity holdings amounting to PhP3.98 Million and interest income earned from deposits amounting to PhP0.02 Million. Total operating expenses incurred including local tax amounted to PhP5.85 Million thus resulting to net investment loss of PhP5.51 Million for the year ended 2016.

As of December 31, 2016, investment in Unit Investment and Trust Fund accounts for 37.33% of total assets, leaving investment in equity at 60.26% and other assets at 2.41% of total company resources

#### Year 2015

Total assets as of end of 2015 amounted to PhP223.70 Million, a decrease of 8.34% (PhP20.35 Million in absolute terms) versus PhP244.05 Million as of the end of 2014. The negative variance is mainly explained by a decrease in investment in financial assets wherein equity securities decreased due to market valuation amounting to PhP5.30 Million while investment in Unit Investment Trust Fund (UITF) was down by PhP14.46 Million. Total receivables decreased by PhP2.02 Million as cash increased by PhP1.96 Million and other assets decreased amounting to PhP0.53 Million. Deducting liabilities of PhP1.81 Million, net assets are valued at PhP221.89 Million, down by PhP14.58 Million compared to the same period of last year. This posted a net asset value per share (NAVPS) of PhP4.423 and PhP4.714 for the year ended 2015 and 2014, respectively.

The Fund incurred gross investment loss amounting to PhP9.06 Million, a decrease of 384.47% from gross investment income of PhP25.76 Million as of end of 2014. Total net trading loss of PhP13.37 Million was derived from the equity securities. Total interest income from short-term bank placements amounted to PhP0.02 Million and a total of PhP4.29 Million was derived from dividend income on equity holdings. Total operating expenses incurred amounted to PhP5.52 Million thus resulting to net investment loss of PhP14.58 Million for the year ended 2015.

As of December 31, 2015, investment in UITF accounts for 8.08% of total assets, leaving investment in equity at 90.35% and other assets at 1.57% of total company resources.

#### Year 2014

Total assets as of end of 2014 amounted to PhP244.05 Million, an increase of 10.03% (PhP22.25 Million in absolute terms) versus PhP221.80 Million as of the end of 2013. The positive variance is mainly explained by increase in investment in financial assets amounting to PhP62.92 Million and PhP40.48 Million decrease in total receivables and a decrease in other assets amounting to PhP.19 Million. Deducting liabilities of PhP7.58 Million, net assets are valued at PhP236.47 Million, up by PhP19.02 Million compared to the same period of last year. This posted net asset value per share (NAVPS) of PhP4.714 and PhP9.119 in 2014 and 2013, respectively. As a result of stock dividends distribution to shareholders on February 24, 2014, the number of total shares outstanding increased to 50,167,397 shares from 23,846,850 shares.

The Fund incurred gross investment income amounting to PhP25.76 Million, an increase of 956.71% from gross investment loss of PhP3.01 Million as of end of 2013. Total net trading gain of PhP23.59 Million were derived from the equity and fixed income securities. Total interest income from short-term bank placements and government securities amounted to PhP0.73 Million and a total of PhP1.44 Million was derived from dividend income on equity holdings. Total operating expenses incurred amounted to PhP6.74 Million thus resulting to net investment income of PhP19.02 Million for the year ended 2014.

As of December 31, 2014, investment in Unit Investment and Trust Fund accounts for 13% of total assets, leaving investment in equity at 85% and other assets at 2% of total company resources

## **FINANCIAL STATEMENTS**

The Fund's audited financial statements and schedule of investments for the year 2016 are attached herewith.

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

There are no disagreements with the external auditors on the accounting and financial disclosures of the Company for the fiscal year covered by this report.

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

FFI has adopted a Manual of Corporate Governance ever since the SEC has mandated this requirement. The said Manual was amended on September 30, 2010 and was further supplemented on March 21, 2011 in compliance with the directive of the Securities and Exchange Commission. FFI has also adopted an Anti-Money Laundering Operating Manual on September 30, 2010. On 24 September 2012, FFI has approved the Charter for its Audit Committee pursuant to the SEC Memorandum Circular No. 4, series of 2012.

On December 17, 2014, FFI approved the changes in the Third Amended Manual on Corporate Governance pursuant to SEC Memorandum Circular No. 9, Series of 2014. FFI is currently updating its Manual on Corporate Governance in accordance with SEC Memorandum Circular No. 19 Series of 2016.

Since FFI has no employees, its Fund Manager, Vicsal Investment, Inc. ("VII"), through its Compliance Officer, continually monitors the actions of, and ensures the compliance by, VII employees responsible for the management of FFI.

No deviations from the Manuals of FFI on Corporate Governance and Anti-Money Laundering have been observed.

The Fund Manager, VII, through its Compliance Officer, is continually updated with the latest provisions of corporate governance and will suggest any relevant additions or deletions to management.

## **PART III. SOLICITATION INFORMATION**

### **PERSONS MAKING THE SOLICITATION**

Filipino Fund, Inc. will bear all the cost of solicitation of proxies. The statement of proxy is delivered through first class mailing services. Following the mailing of proxy soliciting materials, solicitation of proxies shall be primarily performed by the Company. Proxies may, however, be also solicited by directors, officers and regular employees of the Company in person, by telephone or by other electronic means. The solicitation is done on behalf of management. The Company will also reimburse persons holding stock for others in their names or in those of their nominees for their reasonable expenses in sending proxy material to their principals and obtaining their proxies. A total of PhP500,000.00 is allocated for the printing and mailing of these statements.

No Director has informed the Company of his opposition to any matter to be acted upon during the shareholders' meeting.



**INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON**

None of the following persons have any substantial interest, direct or indirect, in any matter to be acted upon other than election to office:

1. Directors or officers of the Corporation at any time since the beginning of the last fiscal year;
2. Nominees for election as directors of the Corporation;
3. Associate of any of the foregoing persons.

None of the directors indicated verbally or in writing that they intend to oppose any action to be taken at the meeting.

**PART IV. CONTROL AND COMPENSATION INFORMATION**

**VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

**Total Outstanding Shares/Voting Shares** : 50,167,397

**Number of Votes Entitled** : one (1) vote per share

All stockholders of record as of April 05, 2017 are entitled to notice and to vote at the Annual Stockholders' Meeting

**MANNER OF VOTING**

The holders of common stock are entitled to one vote per share, but in connection with the cumulative voting feature applicable to the election of directors, each stockholder is entitled to as many votes as shall equal the number of shares held by such person at the close of business on the record date, multiplied by the number of directors to be elected. A stockholder may cast all of such votes for a single nominee or may apportion such votes among any two or more nominees. For example, when five directors are to be elected, holder of 100 shares may cast 500 votes for a single nominee, apportion 250 votes each to two nominees, or apportion 500 votes in any other manner by so noting in the space provided on the accompanying form of proxy. Except to the extent that a stockholder withholds votes from any or all nominees, the persons named in the accompanying form of proxy, in their sole discretion, will vote such proxy for, and, if necessary, exercise cumulative voting rights to secure the election of the nominees listed as directors of the Company.

In the event that any of the nominees becomes unavailable, which the Company does not expect, it is intended that, pursuant to the accompanying proxy, votes will be cast for such substitute nominee or nominees as may be designated by the Board of Directors, unless the Board of Directors reduces the number of directors.

**SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS**

Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Corporation's voting securities as February 28, 2017.

Class	Name and Address of Record Owner and Relationship to Issuer	Name of Beneficial Owner	Citizenship	No. of shares	%
Common A	PCD Nominee Corporation	Various Stockholders	Filipino	43,787,228	87.2822%

As of February 28, 2017, Vicsal Development Corporation, as investor, owns 35,623,404 shares in the PCD Nominee Corporation representing 71.01% of the total outstanding capital stock of FFI. Mr. Frank S. Gaisano will vote for the shares of Vicsal Development Corporation.

## SECURITY OWNERSHIP OF MANAGEMENT

As of February 28, 2017

Class	Name of Beneficial Owner	Amount and Nature of Ownership		Citizenship	Percent of class
A	Mr. Frank S. Gaisano	10,518	(b)	Filipino	0.0210%
A	Ms. Margaret G. Ang	10,518	(b)	Filipino	0.0210%
A	Mr. Edward S. Go	10,518	(b)	Filipino	0.0210%
A	Mr. Bernardo M. Villegas	10,518	(b)	Filipino	0.0210%
A	Mr. John G. Tan	10,518	(b)	Filipino	0.0210%
A	Mr. Aljim C. Jamandre	5,631	(b)	Filipino	0.0112%
A	Atty. Vincent E. Tomaneng	5,000	(b)	Filipino	0.0100%

## RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

Except for the distribution of stock dividends through an increase in authorized capital stock which was approved by the Securities and Exchange Commission on 27 December 2013, there are no sales of unregistered or exempt securities including issuance of securities constituting an exempt transaction for the years 2013, 2014, 2015 and 2016. The Securities and Exchange Commission approved on 27 December 2013 the Corporation's increase of authorized capital stock from Seventy-Eight Million Nine Hundred Fifty-One Thousand Eight Hundred Fifty Pesos (P78,951,850.00), divided into Seventy-Eight Million Nine Hundred Fifty-One Thousand Eight Hundred Fifty (78,951,850) shares, with a par value of One Peso (P1.00) per share, to One Hundred Eighty-Four Million Two Hundred Thirty-Four Thousand Thirty-Eight Pesos (P184,234,038.00), divided into One Hundred Eighty-Four Million Two Hundred Thirty-Four Thousand Thirty-Eight (184,234,038) shares, with a par value of One Peso (P1.00) per share. Of the net increase in the authorized capital stock of One Hundred Five Million Two Hundred Eighty-Two Thousand One Hundred Eighty-Eight Pesos (P105,282,188.00), the amount of Twenty-Six Million Three Hundred Twenty Thousand Five Hundred Forty-Seven Pesos (P26,320,547.00) was subscribed and paid by way of stock dividends.

## VOTING TRUST HOLDERS OF 5% OR MORE – As of December 31, 2016

There are no persons holding more than 5% of a class under a voting trust or similar agreement.

## CHANGES IN CONTROL

There has been no change in the control of the Corporation since the beginning of its last fiscal year.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

- There were no transactions with or involving the Company in which a director, executive officer, or stockholder (owning ten percent (10%) or more of the Company's total outstanding shares) and members of their immediate family had or is to have a direct or indirect material interest during the last two years. No material transactions between the registrants and related parties except as provided hereunder to non-controlling shareholders. As discussed in the notes to the Company's audited financial statements, the significant transactions and outstanding balance with related party

amounting to P2,317,754.00 represents the Management fee for services rendered by Vicsal Investment, Inc. ("VII"), the Fund Manager. Annual fees incurred for management services rendered by VII are computed at 1% of the net asset value ("NAV") of the Fund.

## **DIRECTORS AND EXECUTIVE OFFICERS**

Seven (7) directors are to be elected at the meeting for a full one-year term expiring in 2018. The Board's nominees are as follows: 1. Dr. Bernardo M. Villegas, 2. Mr. Frank S. Gaisano, 3. Ms. Margaret G. Ang, 4. Mr. Edward S. Go, 5. Mr. John G. Tan, 6. Mr. Aljim C. Jamandre, and 7. Atty. Vincent E. Tomaneng. The nominees are also the incumbent directors. The independent directors were nominated by Mr. Frank S. Gaisano, who is not related to the nominees. The following are information on the incumbent directors:

### ***BERNARDO M. VILLEGAS – CHAIRMAN OF THE BOARD***

Dr. Villegas, PhD, 78 yrs. old, Filipino, has served as a director of the Fund since 2009 up to the present, but served as Chairman/Director from 1995-2007. He holds a Bachelor of Arts Degree and a Bachelor of Science Degree from De La Salle University (summa cum laude), and an M.A. and Ph.D. in Economics from Harvard University. He is also a Certified Public Accountant. He worked as a Professor for Economics in the University of Asia and the Pacific and as a Visiting Professor for IESE Business School in Barcelona, Spain. He is also the Research Director of the Center for Research and Communication. Currently, he is a columnist for the Manila Bulletin and a member on the Boards of Alaska Milk Corporation, PHINMA Properties and Transnational Diversified, Inc. He also served as the Dean of the School of Economics from 1989 to 2004 and in 2001; he was the Acting Vice President for Academic Affairs of the University of Asia and the Pacific. Up to the present, he remains to be a professor in said University. In 1999, he served as a member of the Preparatory Commission for Constitutional Reforms. He also became a member of the Constitutional Commission in 1986.

### ***MARGARET G. ANG – PRESIDENT***

Ms. Ang, 65 yrs. old, Filipino, has served as Director of the Fund from September 2003 up to the present. She holds a Bachelor of Science degree, major in Accounting (Cum Laude), from the University of San Carlos, Cebu City and is a Certified Public Accountant. She is currently the Director and Corporate Secretary of Vicsal Development Corporation from 1982 and Director of Metro Retail Stores Group, Inc. from 2003; President of Grand Holidays, Inc. from 1980; Director and Corporate Secretary of Taft Property Venture Development Corporation from 1992, Vicsal Securities & Stock Brokerage, Inc. from 1990, Midland Development Corporation from 1991 and Pacific Mall Corporation from 2001; Director of Manila Water Consortium, Inc. from 2012; and Trustee of Vicsal Foundation, Incorporated from 1996.

### ***FRANK S. GAISANO – DIRECTOR AND TREASURER***

Mr. Gaisano, 59 yrs. old, Filipino, has served as Director of the Fund since September 2003 up to the present. He is a holder of a Bachelor of Science degree in Civil Engineering which he received from the Cebu Institute of Technology and is a licensed Civil Engineer. He also serves as Director of Vicsal Development Corporation from 1982; Chairman of the Board and Chief Executive Officer of Metro Retail Stores Group, Inc. from 2012; Chairman of AB Capital & Investment Corporation from 2012, Pacific Mall Corporation from 2001, and Vicsal Investment, Inc. from 2007; President of Vicsal Securities & Stock Brokerage from 1990, ; Director of Taft Property Venture Development Corporation from 1992, Taft Punta Engaño Property, Inc. from 2011, HTLand, Inc. from 2014, Midland Development Corporation from 1991, and Grand Holidays, Inc. from 1980; and a Trustee of Vicsal Foundation, Incorporated from 1996.

### ***EDWARD S. GO – INDEPENDENT DIRECTOR***

Mr. Go, 78 yrs. old, Filipino, has served as a director of the Fund since 2004 up to the present. He holds a Bachelor of Arts degree from Ateneo de Manila University (magna cum laude). He is also Chairman of the Board of Directors of Hyundai Asia Resources, Inc. and Chairman of the Board of Trustees of ASA Philippines Foundation; Independent Director of various corporations including among others: Metro Pacific Investment

Corp., PLDT Communications & Energy Ventures, Inc. (PCEV), Union Galvasteel Corporation, Trans-Asia Petroleum Corporation, Vicsal Investment, Inc. and AB Capital & Investment Corporation, Mediaquest Holdings, Inc., TV5 Network, Inc., Cignal TV, Inc., BusinessWorld Publishing Corp., and PhilStar Daily Inc. and is Chairman and Trustee of the PLDT Beneficial Trust Fund (BTF). He also served as a trustee of the board of trustees of the Ateneo de Manila University for sixteen years until 2014, and as Chair of said board during the last four years of his tenure.

**JOHN G. TAN – INDEPENDENT DIRECTOR**

Mr. Tan, 49 yrs. old, Filipino, has served as a director of the Fund since February 2008. He holds a Bachelor of Arts degree in Human Resources Management from De La Salle – College of Saint Benilde. Currently, he serves as a Director of Tanduay Distillers, Inc. and PAL Holdings and a fellow in the Institute of Corporate Directors. He was a member of the Board of Philippine National Bank from 2009 to February of 2013, Director of PNB Remittance (Company) Canada and Financial Co., HK., Board of Advisor at PNB Remittance Center, Inc. He served as Vice President of Landcom Realty Corporations for 12 years and Vice President for Operations of Philippine Airlines from 2007 to 2009.

**ALJIM C. JAMANDRE – DIRECTOR**

Mr. Jamandre, 58 yrs. old, Filipino, has served as director of the Fund from 2004-2009. He holds a B.S. Accountancy degree (Cum laude) from the University of San Carlos, MDP from the Asian Institute of Management, and a Certified Public Accountant. Currently, Group Chief Financial Officer of Vicsal Development Corporation; Director of Wealth Development Bank Corporation from 2003, Director of AB Capital & Investment Corporation from 2014, and Director of Pacific Mall Corporation from 2010.

**VINCENT E. TOMANENG – DIRECTOR AND CORPORATE SECRETARY**

Atty. Tomaneng, 49 yrs. old, Filipino, is a Lawyer and a Certified Public Accountant, has served as a director of the Fund since 2014. He earned his Bachelor of Laws (1994) and Bachelor of Science in Accountancy (“Magna Cum Laude”) (1988) both from the University of San Carlos in Cebu City. He is presently the Group General Counsel of Vicsal Development Corporation and the Metro Gaisano Group of Companies. Prior to joining Vicsal and the Metro Gaisano Group in May 2003, he has worked with Sycip Salazar Hernandez & Gatmaitan Law Offices (1997 to 2003) and with Sycip Gorres Velayo & Co., CPA’s (1988 to 1996). He is presently the Director and Corporate Secretary of Filipino Fund, Inc. from 2014, a Director of Pacific Mall Corporation from 2010, and Corporate Secretary of Metro Retail Stores Group, Inc. from 2015.

The three (3) Independent Directors (i.e., Messrs. Villegas, Go, and Tan) were nominated by a shareholder of the Company, Vicsal Development Corporation (“VDC”). Attached to this Information Sheet is the Certification of Independent Directors. None of the independent directors are related to VDC.

The Nomination Committee pre-screened the qualifications of the nominees and prepared the List of Candidates for election to the Board of Directors. Only after this process does the Committee formalizes the nomination to the Board of Directors, particularly for the Independent Directors.

The following Directors comprise the Nomination Committee for the fiscal year 2016-2017:

- Frank S. Gaisano – Chairman
- Margaret G. Ang – Member
- Edward S. Go (Independent Director) – Member

They do not have familial or business relationships with the Directors that they nominated to the Board.

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

- The incorporators of the FFI are Mr. Fernando Zobel de Ayala, Mr. Luciano E. Salazar, Mr. Felipe A.

Eñage, Mr. Mauro B. Blardony, Jr. and Mr. Eduardo U. Miranda.

- Messrs. Bernardo M. Villegas, Edward S. Go and John G. Tan are the independent directors of the Fund. An independent director is a person not having any relationship or position in the Fund, or in parties related to the Fund, the holding of which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, in compliance with Section 38 of the Securities Regulation Code.
- Each Director shall serve for a term of 1 year from his appointment and until his successor has been duly elected and qualified, provided, however, that any director may be removed from office at any time with or without cause by a 3/4th vote of the subscribed capital stock entitled to vote.
- Incumbent directors Frank S. Gaisano and Ms. Margaret G. Ang are siblings.
- No member of the Board of FFI has been the subject of any legal/criminal proceedings, which include, but not limited to, bankruptcy petition, conviction by final judgment, any Court Order, Judgment or Decree, violation of a Securities or Commodities Law, for the past five years.
- FFI has no material pending legal proceedings to which it is a party or of which any of its property is the subject. FFI has no subsidiaries. FFI is not aware of any such proceedings known to be contemplated by government authorities and any other entity.

#### SIGNIFICANT EMPLOYEES

FFI does not have employees of its own since management of the Fund, which include its administrative operations, is already being handled by its fund manager, VII.

The Company does not have executive officers who are receiving compensation income. The President, Treasurer, and Corporate Secretary of the Company, who are also directors, do not receive any compensation other than per diems for attendance at meetings, nor they receive any bonus or other forms of compensation from the Company.

#### COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

##### SUMMARY COMPENSATION TABLE

Annual Compensation

Name and Principal position	Year	Compensation (P) (per diem)	Bonus (P)	Other Annual Compensation
All Directors and Officers of FFI	2017	911,764.56 *	None	None
	2016	441,176.00	None	None
	2015	411,764.64	None	None

\* Estimated compensation for 2017

Each Director and Officer is paid the amount of PhP 29,411.76, on the average, for every attendance in any meeting. Estimated aggregate directors' and officers' fee for the year 2017 is PhP911,764.56.

There is no Compensation Committee, and as such, any adjustment in the compensation of all Directors and Officers is determined by the Board of Directors, and is taken up in the Annual Stockholders' Meeting and voted upon by the shareholders.

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

## INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors has re-appointed Sycip Gorres, Velayo & Co. (SGV & Co.) as the independent public accountants of the Company with respect to its operations for the year 2016, subject to ratification by the majority holders of common stock of the Company. In taking this action, the members of the Board of Directors considered carefully SGV & Co.'s performance, its independence with respect to the services to be performed and its general reputation for adherence to professional auditing standards. In compliance with the required 5-year rotation of external auditor, a new partner, Ms. Janet A. Paraiso, from SGV and Co. was assigned to conduct the audit on the Company's financial statements starting from the calendar year ended 2016. This Representative of the firm will be present at the Annual Meeting to make a statement of the desire to do so and to answer appropriate questions that may be asked by stockholders.

There are no disagreements with the external auditors on the accounting and financial disclosures of the Company for the fiscal year covered by this report.

A proposal will be presented at the Annual Meeting for the ratification of this re-appointment, which the Board of Directors believes is advisable and in the best interest of the stockholders. If the appointment of Sycip Gorres Velayo & Co. is not ratified, the matter of the appointment of the independent public accountants will be considered by the Board of Directors.

The following Directors comprise the Audit Committee for the fiscal year 2016-2017:

Edward S. Go (Independent Director)	-	Chairman
Margaret G. Ang	-	Member
Bernardo M. Villegas (Independent Director)	-	Member

## EXTERNAL AUDIT FEES

Audit fees for fiscal year 2016 amounted to PhP318,625.00 an increase of PhP15,175.00 from previous year exclusive of VAT and out of pocket expenses.

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

## **PART V. OTHER MATTERS**

### Action with Respect to Reports

The approval of the following will be considered and acted upon at the meeting:

1. Annual Report and audited financial statements of the Company for the year ended December 31, 2016;
2. Minutes of the 2016 Annual Stockholders' Meeting with the following items:
  - a. Approval of the Minutes of the Annual Stockholders' Meeting held on May 10, 2016;
  - b. Approval of annual report and audited financial statements;
  - c. Ratification of the acts of the Board of Directors, Fund Manager and Officers for the preceding year;
  - d. Election of the Board of Directors; and
  - e. Appointment of External Auditors.

3. Ratification of all acts of the Board of Directors, Fund Manager and Officers for the preceding year such as:
  - a. Appointment of Officers; and
  - b. 2016 Budget.

**Matters Not Required to be Submitted**

No action will be taken with respect to this item.

**VOTING PROCEDURE****Vote Required for Approval or Election**

The matters to be acted upon by the stockholders as contained in the agenda would require the affirmative vote of a majority of the shares of the Company's common stock present and/or represented and entitled to vote.

**Method by which Votes will be Counted**

Votes shall be manually accounted and tallied by the Corporate Secretary. Proxy cards returned without specifications will be voted as to each proposal in accordance with the recommendations of the Board of Directors.

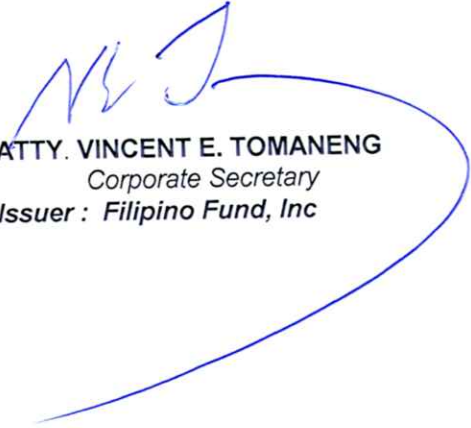
**SEC FORM 17-A**

A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A WILL BE PROVIDED WITHOUT CHARGE TO EACH PERSON UPON WRITTEN REQUEST OF ANY SUCH PERSON ADDRESSED TO:

**FILIPINO FUND, INC.  
OFFICE OF THE CORPORATE SECRETARY  
UNITS 1009-1011 TOWER ONE & EXCHANGE PLAZA  
AYALA TRIANGLE, AYALA AVENUE  
MAKATI CITY, PHILIPPINES**

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Cebu on April 7, 2017.



By:

**ATTY. VINCENT E. TOMANENG**  
*Corporate Secretary*  
**Issuer : Filipino Fund, Inc**





**FILIPINO FUND, INC.**  
**Notice of Annual Meeting of Stockholders**

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Stockholders of Filipino Fund, Inc. ("FFI") will be held at the Ayala Room, Makati Sports Club, LP Leviste corner Gallardo Streets, Salcedo Village, Makati City on Tuesday, **May 09, 2017**, at 10:00 in the morning with the following agenda:

1. Calling of meeting to order
2. Certification of notice
3. Determination and declaration of quorum
4. Reading and approval of the minutes of the Annual Stockholders' Meeting held on May 10, 2016
5. Presentation and approval of the Annual Report and Audited Financial Statements for the year ended December 31, 2016
6. Approval and confirmation of all acts, proceedings and resolutions of the Board of Directors, Officers, and the Fund Manager during the past year
7. Approval of the Termination of the Investment Management Agreement with Vicsal Investment, Inc. and the appointment of AB Capital & Investment Corporation as the New Fund Manager of FFI effective June 15, 2017
8. Appointment of External Auditors for CY 2017
9. Election of the Board of Directors
10. Other Business
11. Adjournment

Only stockholders of record at the close of business on **April 05, 2017**, the record date and time fixed by the Board of Directors, are entitled to notice of, and to vote at, said meeting.

Admission to the meeting will be by Stockholder's Identification Card only. If you are a stockholder of record and plan to attend, please bring the Stockholder's Identification Card, attached to the Proxy Form/Voting Ticket, which will admit you to the meeting. If you are a stockholder whose shares are held through an intermediary such as a bank or a broker and you plan to attend, you may request a Stockholder's Identification Card by writing to the Office of the Secretary, Units 1009-1011, Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City. Evidence/certification of your ownership, which you can obtain from your bank, broker, etc., must accompany your letter.

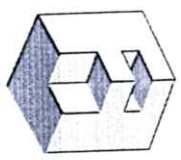
In order that your stock may be represented at the meeting in case you are not personally present, please complete, sign and date the enclosed proxy/voting instruction card and return it promptly using the accompanying addressed envelope on or before April 28, 2017.

Cebu City, Philippines, April 07, 2017.

For the Board of Directors,

  
**ATTY. VINCENT E. TOMANENG**  
Corporate Secretary

**STOCKHOLDERS' IDENTIFICATION CARD**



**FILIPINO FUND, INC.**  
2017 Annual Stockholders' Meeting

**PROXY FORM/VOTING TICKET**  
**FILIPINO FUND, INC.**  
2017 Annual Stockholders' Meeting

I/We hereby name and appoint \_\_\_\_\_ or in his/her absence, the CHAIRMAN of the meeting, as my/our proxy at the Annual Stockholders' Meeting of FILIPINO FUND, INC. ("FFI") to be held at the Ayala Room, Makati Sports Club, 1 P Levisite corner Gallardo Streets, Salcedo Village, Makati City on Tuesday, May 09, 2017 at 10:00 am. Further, please consider my vote on the following matters on the agenda.

**Proposal 1** Ratification of the minutes of the Annual Stockholders' Meeting held last May 10, 2016  
 Approve \_\_\_\_\_ Disapprove \_\_\_\_\_ Abstain \_\_\_\_\_

**Proposal 2** Approval of the Annual Report and Audited Financial Statements for the year ended December 31, 2016  
 \_\_\_\_\_

**Proposal 3** Ratification of all acts, proceedings and resolutions of the Board of Directors, Officers, and the Fund Manager for the year 2016  
 \_\_\_\_\_

**Proposal 4** Approval of the Termination of the Investment Management Agreement with Vicsal Investment, Inc. and the appointment of AIB Capital & Investment Corporation as the New Fund Manager of FFI effective June 15, 2017  
 \_\_\_\_\_

**Proposal 5** Appointment of Sycep, Torres, Yelazo & Co. to be the independent auditor for the year ended December 2017  
 \_\_\_\_\_

**Proposal 6** Election of Directors

1. Frank S. Gaisano	_____
2. Margaret G. Ang	_____
3. Edward S. Go	_____
4. Bernardo M. Villegas	_____
5. John G. Tan	_____
6. Aljim C. Jannandir	_____
7. Vincent E. Tomancng	_____

*Voting instruction: Please refer to Part III of the proxy statement on the manner of voting. To vote for any nominee, write the number of votes you wish to confer upon each nominee on the blank space provided. Otherwise, should you wish to withhold the authority to vote for any nominee, kindly strike out the name by lining through the name of the nominee. For untitled blank spaces, the proxy shall have discretion on the manner of allocation of votes.*

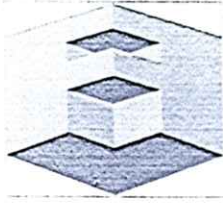
Place: \_\_\_\_\_  
 Witness: \_\_\_\_\_  
 Number of shares held: \_\_\_\_\_  
 Signature of Stockholder/s over Printed Name/s

**PLEASE SUBMIT THIS PROXY TO THE OFFICE OF THE CORPORATE SECRETARY ON OR BEFORE APRIL 28, 2017.**

\*There is no substantial interest, direct, by security holding or otherwise, of each of the persons named above in any matter to be acted upon, other than election to office.

**PLEASE DETACH AND PRESENT THIS CARD AT THE RESIGNATION DESK TO EXPEDITE ENTRY INTO THE MEETING WITHOUT THIS CARD. PROPER IDENTIFICATION WILL BE REQUIRED.**

Signature of Stockholder/s over  
 Printed Name/s



Filipino Fund, Inc

FILIPINO FUND, INC.  
STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS

The management of Filipino Fund, Inc. (the Fund) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for the assessing the Fund's ability to continue as a going concern, disclosing, as applicable manners 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.

The Board of Directors (BOD) is responsible for overseeing the Fund's financial reporting process.

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

SyCip, Gorres, Velayo & Co., the independent auditors, appointed by the stockholders, has audited the financial statements of the Fund in accordance with Philippine Standards on Auditing (PSA), and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such examination.

*Bernardo M. Villegas*  
Bernardo M. Villegas

Chairman

*Margaret Gaisano-Ang*  
Margaret Gaisano-Ang

President

*Frank S. Gaisano*  
Frank S. Gaisano

Treasurer

MAR 3 1 2017

Signed this \_\_\_ day of \_\_\_ 2017

MAR 3 1 2017

MAKATI CITY

SUBSCRIBED AND SWORN to before me this \_\_\_ day of \_\_\_ affiants exhibiting to me their Residence Certificate as follows:

Name	Com. Tax Cert. No.	Date of Issue	Place of Issue
Bernardo M. Villegas	25066843	Feb. 28, 2017	Makati City
Margaret Gaisano-Ang	26469285	Jan. 12, 2017	Cebu City
Frank S. Gaisano	26564401	Feb. 1, 2017	Cebu City

Doc. No. 220  
Page No. 45  
Book No. 05  
Series of 2017

ATTY. VIRGILIO R. BATALLA  
NOTARY PUBLIC FOR MAKATI CITY  
APPT. NO. M-88  
EXPIRES 01.2018  
NOT. REG. NO. 1043  
NOT. REG. NO. 1043-4/10/13  
LSP OR REG. NO. 1043-4/10/13  
PTR NO. 1043-4/10/13  
EXECUTIVE BLDG. CENTER  
MAKATI AVE. COR., JUPITER ST. MAKATI CITY

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

A	S	0	9	1	1	9	0	3	5	8
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**COMPANY NAME**

F	I	L	I	P	I	N	O	F	U	N	D	,	I	N	C	.	(	A	C	L	O	S	E	D	-
E	N	D	I	N	V	E	S	T	M	E	N	T	C	O	M	P	A	N	Y	)					

**PRINCIPAL OFFICE** (No. / Street / Barangay / City / Town / Province)

U	n	i	t	s	1	0	0	9	-	1	0	1	1	,	T	o	w	e	r	O	n	e	&			
E	x	c	h	a	n	g	e	P	l	a	z	a	,	A	y	a	l	a	T	r	i	a	n	g	l	e
,	A	y	a	l	a	A	v	e	n	u	e	,	M	a	k	a	t	i	C	i	t	y				

Form Type

A	A	F	S
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Department requiring the report

C	F	D
---	---	---

Secondary License Type, If Applicable

N	/	A
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**COMPANY INFORMATION**

Company's Email Address

**info@filipinofund.com.ph**

Company's Telephone Number

**856-5801**

Mobile Number

**N/A**

No. of Stockholders

**5,526**

Annual Meeting (Month / Day)

**Every 2<sup>nd</sup> Tuesday of  
May**

Fiscal Year (Month / Day)

**December 31**

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

**Mr. Senen L. Matoto**

Email Address

**bing\_matoto@yahoo.com**

Telephone Number/s

**856-5802 /856-3923**

Mobile Number

**N/A**

**CONTACT PERSON'S ADDRESS**

**Units 1009-1011 Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City**

**NOTE 1 :** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2 :** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
Filipino Fund, Inc.  
Units 1009-1011, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

### Opinion

We have audited the accompanying financial statements of Filipino Fund, Inc. (the Fund), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2016, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2016 and 2015, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

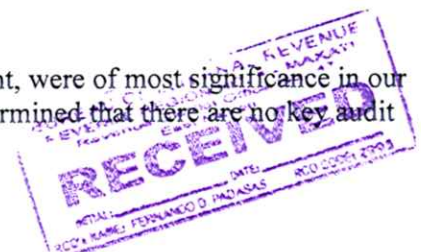
We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to report.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditors' report.



## **Other Information**

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditors' report.

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

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

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

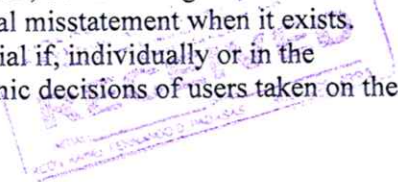
Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud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

## **Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



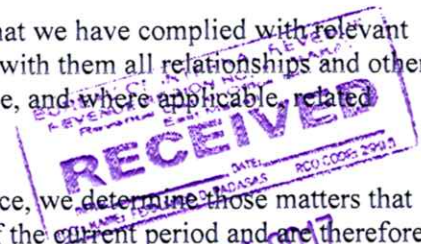
As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.




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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 22 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Fund. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Janet A. Paraiso.

SYCIP GORRES VELAYO & CO.

  
Janet A. Paraiso  
Partner  
CPA Certificate No. 92305  
SEC Accreditation No. 0778-AR-2 (Group A),  
May 1, 2015, valid until April 30, 2018  
Tax Identification No. 193-975-241  
BIR Accreditation No. 08-001998-62-2015,  
February 27, 2015, valid until February 26, 2018  
PTR No. 5908661, January 3, 2017, Makati City

March 9, 2017



APR 06 2017





**FILIPINO FUND, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2016	2015
<b>ASSETS</b>		
Cash in bank (Note 6)	₱5,220,953	₱3,468,152
Financial assets at fair value through profit or loss (Note 7)	212,814,684	220,186,328
Receivables (Note 8)	26,868	46,725
	<b>₱218,062,505</b>	<b>₱223,701,205</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses (Note 10)	₱1,683,893	₱1,812,507
<b>EQUITY (Note 11)</b>		
Capital stock	105,272,397	105,272,397
Additional paid-in capital	94,361,124	94,361,124
Retained earnings	65,943,416	71,453,502
Treasury stock	(49,198,325)	(49,198,325)
	216,378,612	221,888,698
	<b>₱218,062,505</b>	<b>₱223,701,205</b>
<b>Net Asset Value Per Share (Note 11)</b>	<b>₱4.3131</b>	<b>₱4.4230</b>

*See accompanying Notes to Financial Statements.*



**FILIPINO FUND, INC.**  
**STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2016	2015	2014
<b>INVESTMENT INCOME (LOSS)</b>			
Trading gains (losses) - net (Note 7)	(₱3,655,722)	(₱13,365,575)	₱23,585,222
Dividend income (Note 7)	3,983,200	4,288,206	1,438,423
Interest income (Notes 6 and 7)	15,630	22,003	735,899
	<b>343,108</b>	<b>(9,055,366)</b>	<b>25,759,544</b>
<b>OPERATING EXPENSES</b>			
Management fees (Notes 18 and 19)	2,317,754	2,348,000	1,749,535
Transaction fees (Note 13)	1,103,947	509,997	1,714,768
Professional and legal fees (Note 14)	927,394	827,796	1,316,462
Directors' fees (Note 19)	441,176	411,765	529,412
Membership fee	253,000	253,000	275,412
Donation (Note 19)	200,000	-	200,000
Provision for impairment losses	178,619	687,521	-
Advertising and publicity	169,335	158,959	163,393
Meetings	116,093	89,096	87,932
Postage and courier	65,594	131,541	139,554
Taxes and licenses	31,925	66,132	24,957
Miscellaneous (Note 15)	45,231	39,032	411,917
	<b>5,850,068</b>	<b>5,522,839</b>	<b>6,613,342</b>
<b>INVESTMENT INCOME (LOSS)</b>			
<b>BEFORE INCOME TAX</b>	<b>(5,506,960)</b>	<b>(14,578,205)</b>	<b>19,146,202</b>
<b>PROVISION FOR INCOME TAX</b>			
(Note 17)	<b>3,126</b>	<b>4,400</b>	<b>131,154</b>
<b>NET INCOME (LOSS) / TOTAL</b>			
<b>COMPREHENSIVE INCOME</b>			
<b>(LOSS)*</b>	<b>(₱5,510,086)</b>	<b>(₱14,582,605)</b>	<b>₱19,015,048</b>
<b>Basic and Diluted Earnings (Losses)</b>			
<b>Per Share (Note 12)</b>	<b>(₱0.1098)</b>	<b>(₱0.2907)</b>	<b>₱0.3790</b>

\* There were no other comprehensive income (loss) items in 2016, 2015 and 2014.

See accompanying Notes to Financial Statements.



**FILIPINO FUND, INC.**  
**STATEMENTS OF CHANGES IN EQUITY**

	Capital Stock (Note 11)	Additional Paid-in Capital (Note 11)	Retained Earnings (Note 11)	Treasury Stock (Note 11)	Total
Balances as at January 1, 2016	₱105,272,397	₱94,361,124	₱71,453,502	(₱49,198,325)	₱221,888,698
Net loss/total comprehensive loss for the year	-	-	(5,510,086)	-	(5,510,086)
<b>Balances as at December 31, 2016</b>	<b>₱105,272,397</b>	<b>₱94,361,124</b>	<b>₱65,943,416</b>	<b>(₱49,198,325)</b>	<b>₱216,378,612</b>
Balances as at January 1, 2015	₱105,272,397	₱94,361,124	₱86,036,107	(₱49,198,325)	₱236,471,303
Net loss/total comprehensive loss for the year	-	-	(14,582,605)	-	(14,582,605)
Balances as at December 31, 2015	₱105,272,397	₱94,361,124	₱71,453,502	(₱49,198,325)	₱221,888,698
Balances as at January 1, 2014	₱105,272,397	₱94,361,124	₱67,021,059	(₱49,198,325)	₱217,456,255
Net income/total comprehensive income for the year	-	-	19,015,048	-	19,015,048
Balances as at December 31, 2014	₱105,272,397	₱94,361,124	₱86,036,107	(₱49,198,325)	₱236,471,303

See accompanying Notes to Financial Statements.



**FILIPINO FUND, INC.**  
**STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Investment income (loss) before income tax	(₱5,506,960)	(₱14,578,205)	₱19,146,202
Adjustments for:			
Unrealized trading loss (gain) (Note 7)	15,469,481	14,853,226	(9,482,921)
Decrease (increase) in:			
Financial assets at fair value through profit or loss	(8,097,837)	4,903,601	(53,442,041)
Receivables	19,857	2,023,033	40,478,051
Other assets	-	527,195	(254,433)
Increase (decrease) in accounts payable and accrued expenses	(128,614)	(5,767,025)	3,234,272
Net cash provided by (used) in operations	1,755,927	1,961,825	(320,870)
Income tax paid	(3,126)	(4,400)	(131,154)
Net cash provided by (used in) operating activities	1,752,801	1,957,425	(452,024)
<b>NET INCREASE (DECREASE) IN CASH IN BANK</b>	<b>1,752,801</b>	<b>1,957,425</b>	<b>(452,024)</b>
<b>CASH IN BANK AT BEGINNING OF YEAR</b>	<b>3,468,152</b>	<b>1,510,727</b>	<b>1,962,751</b>
<b>CASH IN BANK AT END OF YEAR (Note 6)</b>	<b>₱5,220,953</b>	<b>₱3,468,152</b>	<b>₱1,510,727</b>
<b>OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS</b>			
Interest received	₱15,630	₱22,003	₱822,285
Dividends received	4,003,027	4,283,579	2,500,262
	₱4,018,657	₱4,305,582	₱3,322,547

See accompanying Notes to Financial Statements.



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**FILIPINO FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. Corporate Information**

Filipino Fund, Inc. (the Fund) was incorporated in the Philippines on May 9, 1991 primarily to establish and carry on the business of a closed-end investment company. On March 28, 1995, the Fund was registered with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1960, or Republic Act (R.A.) No. 2629, and the Revised Securities Act, also known as Batas Pambansa Blg. 178.

The Fund's investment manager and administrator is Vicsal Investment, Inc. (VII), a corporation registered with the SEC primarily to engage in business as an investment house.

The Fund's principal place of business is located at Units 1009-1011, Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The Fund's ultimate parent company is Vicsal Development Corporation (VDC), a corporation duly organized in the Philippines to engage in buying, selling, distributing and marketing at wholesale and retail in so far as may be permitted by law all kinds of goods, commodities and merchandise of every kind.

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**2. Summary of Significant Accounting Policies**

Basis of Preparation

The Fund's financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVPL) which have been measured at fair value. The financial statements are presented in Philippine peso, which is the Fund's functional currency. All values are rounded to the nearest peso except when otherwise indicated.

Statement of Compliance

The financial statements of the Fund have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The Fund applied for the first time certain amendments, which are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments did not have any significant impact on the financial statements.

- Amendments to PFRS 10, PFRS 12 and Philippine Accounting Standards (PAS) 28, *Investment Entities - Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture - Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*



*Annual Improvements to PFRSs (2012-2014 cycle)*

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal*
- PFRS 7, *Financial Instruments: Disclosures - Servicing contracts*
- PFRS 7, *Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements*
- PAS 19, *Employee Benefits - Discount rate: regional market issue*
- PAS 34, *Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report*

New standards and interpretations that have been issued but not yet effective

Pronouncements issued but not yet effective as of December 31, 2016 are listed below. Unless otherwise indicated, the Fund does not expect that the future adoption of the said pronouncements to have a significant impact on the Fund's financial statements. The Fund intends to adopt the following pronouncements when they become effective.

*Effective January 1, 2017*

*Amendment to PFRS 12, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

*Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

*Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.



*Effective January 1, 2018*

*Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

*Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income (OCI), rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

*PFRS 15, Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Fund plans to adopt the new standard on the required effective date once adopted locally.

*PFRS 9, Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.



The adoption of PFRS 9 will have an effect on the classification and measurement of the Fund's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Fund's financial liabilities. The Fund is currently assessing the impact of PFRS 9 and plans to adopt the new standard on the required effective date once adopted locally.

*Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

*Amendments to PAS 40, Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

*Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.





*Effective January 1, 2019*

#### *PFRS 16, Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss.

Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Fund plans to adopt the new standard on the required effective date once adopted locally.

#### *Deferred effectivity*

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

#### **Significant Accounting Policies**

##### Cash and Cash Equivalents

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

##### Financial Instruments

###### *Date of recognition*

The Fund recognizes a financial asset and financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Securities are recognized when received.



*Initial recognition of financial instruments*

All financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial assets and financial liabilities include transaction costs. The Fund classifies its financial assets in the following categories: financial assets at FVPL, available-for-sale (AFS) investments, held-to-maturity (HTM) investments and loans and receivables. Financial liabilities, on the other hand, are classified as financial liabilities at FVPL and financial liabilities carried at amortized cost. The classification depends on the purpose for which the financial instruments were acquired and whether they are quoted in an active market, and for HTM investments, the ability and intention to hold the investments until maturity. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The financial instruments of the Fund consist of cash in bank, financial assets at FVPL, receivables and accounts payable and accrued expenses.

As of December 31, 2016 and 2015, the Fund has no HTM investments, AFS investments and financial liabilities at FVPL.

*Determination of fair value*

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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 5, based on the lowest level input that is significant to the fair value measurement as a whole.

For financial instruments that are recognized at fair value on a recurring basis, the Fund determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

*'Day 1' difference*

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Fund recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where non-market observable data is used, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Fund determines the appropriate method of recognizing the 'Day 1' difference amount.



#### *Financial assets at FVPL*

This category consists of financial assets that are held for trading. Financial assets held for trading are recorded in the statement of financial position at fair value with changes in fair value recorded under 'Trading gains (losses)' in the statement of comprehensive income. Interest earned is recorded as 'Interest income' while dividends earned are recorded as 'Dividend income' in the statement of comprehensive income.

#### *Receivables*

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets at FVPL, HTM investments or AFS investments. Receivables are stated at outstanding balance less any allowance for credit losses. Any losses arising from impairment are recognized in the statement of comprehensive income.

#### *Other financial liabilities*

This accounting policy relates to the statement of financial position caption 'Accounts Payable and accrued expenses' which is not designated at FVPL but classified as other financial liabilities, where the substance of the contractual arrangement results in the Fund having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, accounts payable and accrued expenses are subsequently measured at amortized cost.

#### Offsetting of Financial Instruments

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

#### Derecognition of Financial Assets and Liabilities

##### *Financial asset*

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

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

Where the Fund has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Fund's continuing involvement in the asset.



*Financial liability*

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

Impairment of Financial Assets

The Fund assesses, at each reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event/s has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For receivables carried at amortized cost, the Fund assesses whether objective evidence of impairment exists. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future impairment losses that have not been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged against the statement of comprehensive income. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited against 'Provision for credit losses' in the statement of comprehensive income.

Impairment of Non-financial Assets

At each reporting date, the Fund assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Fund makes a formal estimate of recoverable amount.

Recoverable amount is the higher of an asset's (or cash-generating unit) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). An impairment loss is charged to operations in the year in which it arises.



### Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Fund and the revenue can be reliably measured. The Fund assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The Fund has concluded that it is acting as a principal in all its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

#### *Trading gains (losses)*

Trading gain (loss) represents results arising from trading activities, including all gains and losses from changes in the fair values of financial assets held for trading.

Unrealized gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealized gains and losses for financial instruments which were realized in the reporting period.

Realized gains and losses on disposals of financial instruments at FVPL are calculated using weighted average method. Realized gains and losses represent the difference between an instrument's initial carrying amount and disposal amount.

#### *Interest income*

Interest income is recognized in the statement of comprehensive income as it accrues, taking into consideration the effective yield of the asset.

#### *Dividend income*

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

### Expense Recognition

Expenses are recognized when it is probable that a decrease in future economic benefits related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably.

### Management Fees

Management fees are being charged to the Fund as a percentage of its net asset value and are recognized based on the accrual method of accounting.

### Income Taxes

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is determined in accordance with Philippine tax laws. Income tax is recognized in profit or loss, except to the extent that it is related to OCI items recognized directly in the statement of comprehensive income.

#### *Current taxes*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at reporting date. Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

#### *Deferred tax*

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



Deferred tax liabilities are recognized for all taxable temporary differences, with few exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused NOLCO can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rate applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

#### Equity

Capital stock is measured at par value for all shares issued. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the 'Additional paid-in capital' account in the statement of financial position.

#### Retained Earnings

Retained earnings represent the accumulated income of the Fund less dividends to stockholders.

#### Treasury Shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Fund's own equity instruments. Any difference between the carrying amount and the consideration is recognized in equity.

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

NAV per share is computed by dividing net assets (total assets less total liabilities) by the total number of shares issued and outstanding as at the reporting date.

#### Earnings Per Share (EPS)

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

#### Dividend Distribution

Dividend distributions are at the discretion of the Fund. A dividend distribution to the Fund's shareholders is accounted for as a deduction from retained earnings. A proposed cash dividend is recognized as a liability in the period in which it is approved by the Fund's board of directors (BOD). A proposed stock dividend is recognized as an addition to capital stock.



### Segment Reporting

For management purposes, the Fund is organized into one main operating segment, which invests in equity and debt securities. All of the Fund's activities are interrelated and interdependent. Accordingly, all significant operating decisions are based upon the analysis of the Fund as one segment. The financial results from this segment are equivalent to the financial statements of the Fund as a whole.

### Provisions

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

### Related Party Relationships and Transactions

Related party relationships exist when one party has the ability to control directly or indirectly, through one or more intermediaries, the other party and 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 reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering other possible related party relationships, attention is directed to the substance of the relationship, and not merely the legal form.

### Contingencies

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

### Events after the Reporting Date

Any post year-end events up to the date of approval of the BOD of the financial statements 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, if any, are disclosed when material to the financial statements.

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## **3. Significant Accounting Estimates and Judgments**

The preparation of the financial statements in compliance with PFRS requires the Fund to make use of estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, income and expenses and the disclosures of contingent assets and liabilities, if any. Future events may occur which can cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### Judgments

The Fund does not have significant accounting judgments which have the most significant effect on the amounts recognized in the financial statements.



### Estimates

#### *Recognition of deferred tax assets*

Deferred tax assets are recognized for all unused tax losses and unused tax credits to the extent that it is probable that sufficient future taxable profit will be available against which the deferred tax assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Historically, the Fund has been in a tax loss position. Management believes that the Fund will continue to be in a tax loss position as the items comprising the Fund's investment income are either tax-exempt or subject to final tax. As of December 31, 2016 and 2015, the Fund did not recognize deferred tax assets amounting to ₱4.68 million and ₱4.74 million, respectively, on NOLCO and MCIT as management believes that the benefit from such asset will not be realized prior to its expiry (see Note 17).

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

### Governance Framework

The Fund has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity and operational risk. It also supports the effective implementation of policies.

The policies define the Fund's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets to the corporate goals and specify reporting requirements.

### Risk Management Framework

The Fund's risk management personnel has developed and implemented certain minimum stress and scenario tests for identifying the risks to which the Fund is exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly the anticipated impact on the statement of financial position and statement of comprehensive income, are reported to the Fund's management.

Management then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

The Fund's objective is to achieve medium-term capital growth through investing in a selection of investment securities. The Fund seeks to provide a high level of current income, consistent with the preservation of capital and liquidity by observing regulatory guidelines and applying risk-mitigating controls.

All security investments present a risk of loss of capital. The Investment Manager manages this risk through a careful selection of equity and debt securities within specified limits. The Fund's overall market positions are monitored on a daily basis by the Fund's Investment Manager and are reviewed on a quarterly basis.





Regulatory Framework

The operations of the Fund are subject to the regulatory requirements of the SEC and BIR. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., investment portfolios, capital requirements, etc.).

Financial Risk

The Fund is exposed to financial risk through its holdings of financial assets and financial liabilities. The most important components of this financial risk are credit risk, liquidity risk and market risk.

The risk that the Fund primarily faces due to the nature of its investments is equity price risk which is part of market risk.

Credit Risk

Credit risk is the risk of financial loss to the Fund if the counterparty to a financial instrument fails to meet its contractual obligations.

The Fund invests in short-term deposits in banks wherein the risk of default is considered minimal.

*Maximum exposure to credit risk before collateral held or other credit enhancements*

The carrying values of the Fund's financial assets, as reflected in the statements of financial position and related notes, represent the financial assets' maximum exposure to credit risk.

As of December 31, 2016 and 2015, the Fund does not hold collateral on its financial assets.

*Maximum credit exposure by counterparty*

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

	2016		
	Cash and cash equivalents	Receivables	Total
Corporate:			
Financials	₱5,220,953	₱7,860	₱5,228,813
Holding firms	–	19,008	19,008
<b>Total</b>	<b>₱5,220,953</b>	<b>₱26,868</b>	<b>₱5,247,821</b>

	2015		
	Cash and cash equivalents	Receivables	Total
Corporate:			
Financials	₱3,468,152	₱35,175	₱3,503,327
Holding firms	–	11,550	11,550
<b>Total</b>	<b>₱3,468,152</b>	<b>₱46,725</b>	<b>₱3,514,877</b>

As of December 31, 2016 and 2015, the Fund has no impaired receivables.



The Fund adopted the internal credit rating process of its investment manager, VII, in assessing the credit quality of the Fund's investments as of December 31, 2016 and 2015.

Cash and cash equivalents are considered high grade since these are low risk investments and where counterparties had no default in payments as of December 31, 2016 and 2015.

Liquidity Risk

Liquidity or funding risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; the counterparty failing on repayment of a contractual obligation; or the inability to generate cash inflows as anticipated.

The Fund's liquidity risk is managed by holding sufficient amounts of liquid assets and assets with appropriate quality to ensure that short-term funding requirements are met. As part of the Fund's risk management, cash in bank is available on demand, receivables are collected monthly and financial assets at FVPL can be readily disposed of whenever the need for funding arises. The Fund's total financial liabilities mature within three months and are noninterest-bearing in nature.

Market Risk

Market risk is the risk of change in the fair value of financial instruments from fluctuations in market interest rates (fair value interest rate risk) and market prices (equity price risk), whether such change in the price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Fund structures the levels of market risk it accepts through a market risk policy that determines what constitutes market risk for the Fund; the basis used to determine the fair value of financial assets and liabilities; the asset allocation and duration limit based on the Fund's chosen benchmark; diversification benchmarks by type of instrument; the net exposure limits by each counterparty or group of counterparties and industry segments; reporting of market risk exposures and breaches to the monitoring authority; monitoring of compliance with market risk policy and review of market risk policy for pertinence and changing environment.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

As of December 31, 2016 and 2015, the Fund does not have any investment in debt securities and loan commitments.

Equity price risk

The Fund's equity price risk emanates from its securities in proprietary accounts which are financial instruments classified as financial assets at FVPL. The Fund measures the sensitivity of its quoted equity securities by using Philippine Stock Exchange index (PSEi) fluctuations.



The following tables set forth the impact of changes in the PSEi on the Fund's market revaluation gains or losses on its quoted equity securities as of December 31, 2016 and 2015.

<b>Changes in PSEi</b>	<b>2016</b>	
	11.09%	(11.09%)
<b>Change in equity under:</b>		
Holding firms	₱3,616,639	(₱3,616,639)
Financials	2,175,629	(2,175,629)
Property	1,938,068	(1,938,068)
Industrial	1,890,429	(1,890,429)
Mining and oil	1,824,767	(1,824,767)
Services	1,659,665	(1,659,665)
Small and medium-sized enterprises	1,060,696	(1,060,696)
<b>Total</b>	<b>₱14,165,893</b>	<b>(₱14,165,893)</b>
<b>As a percentage of the Fund's market revaluation gains (losses)</b>	<b>88.85%</b>	<b>(88.85%)</b>

<b>Changes in PSEi</b>	<b>2015</b>	
	14.39%	(14.39%)
<b>Change in equity under:</b>		
Holding firms	₱8,299,476	(₱8,299,476)
Industrial	4,982,399	(4,982,399)
Services	3,903,125	(3,903,125)
Financials	3,551,964	(3,551,964)
Property	3,385,235	(3,385,235)
Small and medium-sized enterprises	1,894,662	(1,894,662)
Mining and oil	1,839,246	(1,839,246)
<b>Total</b>	<b>₱27,856,107</b>	<b>(₱27,856,107)</b>
<b>As a percentage of the Fund's market revaluation gains (losses)</b>	<b>189.47%</b>	<b>(189.47%)</b>

The sensitivity of the equity is the effect of the assumed changes in the PSEi on the market revaluation gains (losses) for one year, based on the beta rate of equity securities at each reporting date. The sensitivity of market revaluation gains (losses) are calculated by revaluing the market rate using the beta rate of the equity securities at the reporting dates for the effects of the assumed changes in PSEi.

The Fund measures the sensitivity of its investments in UITF by using the fluctuations in NAV per share.

The following tables set forth the impact of the reasonable possible change in NAV per share of the Fund's investments in UITF:

<b>Change in equity</b>	<b>Changes in price quotation (in basis points)</b>			
	+ 100	- 100	+ 50	- 50
<b>2016</b>	<b>₱814,007</b>	<b>(₱814,007)</b>	<b>₱407,003</b>	<b>(₱407,003)</b>
<b>2015</b>	<b>180,661</b>	<b>(180,661)</b>	<b>90,331</b>	<b>(90,331)</b>



The Fund's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investment, diversification plan and limits on investments.

## 5. Fair Value of Financial Assets and Liabilities

As of December 31, 2016 and 2015, all of the financial assets and liabilities of the Fund have carrying amounts which approximate their fair values.

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

Cash in bank and receivables - Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

Financial assets at FVPL - The fair values are based on closing prices published by the PSE for quoted equity securities and the published NAV per share for investments in UITF.

Accounts payable and accrued expenses - Accruals of professional and management fees and other liabilities approximate fair values due to their short-term nature.

The following tables summarize the fair values of financial assets, analyzed based on the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

2016					
	Carrying Value	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>					
Financial assets at FVPL					
Quoted equity securities	P131,414,013	P131,414,013	P-	P-	P131,414,013
Investments in UITF	81,400,671	-	81,400,671	-	81,400,671
	<b>P212,814,684</b>	<b>P131,414,013</b>	<b>P81,400,671</b>	<b>P-</b>	<b>P212,814,684</b>

2015					
	Carrying Value	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>					
Financial assets at FVPL					
Quoted equity securities	P202,120,200	P202,120,200	P-	P-	P202,120,200
Investments in UITF	18,066,128	-	18,066,128	-	18,066,128
	<b>P220,186,328</b>	<b>P202,120,200</b>	<b>P18,066,128</b>	<b>P-</b>	<b>P220,186,328</b>

There were no transfers between levels as of December 31, 2016 and 2015.



## 6. Cash in Bank

This account consists of:

	2016	2015
Checking account	₱4,677,293	₱2,925,380
Savings deposit	543,660	542,772
	<b>₱5,220,953</b>	<b>₱3,468,152</b>

Checking account and savings deposit earn annual interest ranging from 0.25% to 0.35% in both 2016 and 2015.

Interest income earned on cash in bank amounted to ₱0.02 million in both 2016 and 2015 and ₱0.05 million in 2014.

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

This account consists of:

	2016	2015
Quoted equity securities	₱131,414,013	₱202,120,200
Investments in UITF (Note 19)	81,400,671	18,066,128
	<b>₱212,814,684</b>	<b>₱220,186,328</b>

Investments in UITF are trust arrangements managed by AB Capital and Investment Corporation - Trust and Investments Division (ABCIC - TID), with no guaranteed rate of return. The Fund's participation in the trust agreement is expressed in terms of number of units of participation.

Breakdown of the investments in UITF follows:

	2016		
	Short-term fund	Equity fund	Balanced fund
NAV	₱78,564,932	₱1,631,218	₱1,204,521
Outstanding units	75,441,430	583,159	1,250,000
NAV per share	₱1.0414	₱2.7972	₱0.9636
	2015		
	Short-term fund	Equity fund	Balanced fund
NAV	₱15,140,333	₱1,697,214	₱1,228,581
Outstanding units	14,739,262	583,159	1,250,000
NAV per share	₱1.0272	₱2.9104	₱0.9829

The short-term fund pertains to a special reserve account redeemable within a short period. The equity fund is designed to achieve superior returns for its participants by investing primarily in equity securities listed in the PSE. The balanced fund has a portfolio mix of fixed-income investments and equity securities listed in the PSE.



Breakdown of trading gains (losses) - net follows:

	2016	2015	2014
Realized	₱11,813,759	₱1,487,651	₱14,102,301
Unrealized	(15,469,481)	(14,853,226)	9,482,921
	<b>(₱3,655,722)</b>	<b>(₱13,365,575)</b>	<b>₱23,585,222</b>

Dividend income earned from financial assets at FVPL amounted to ₱3.98 million, ₱4.29 million and ₱1.44 million in 2016, 2015 and 2014, respectively.

Interest income earned from government securities amounted to ₱0.60 million in 2014.

## 8. Receivables

This account consists of:

	2016	2015
Dividends receivable	₱26,868	₱46,695
Due from broker (Note 19)	-	30
	<b>₱26,868</b>	<b>₱46,725</b>

## 9. Other Assets

This account consists of:

	2016	2015
Input tax	₱866,140	₱687,521
Other assets	112,503	112,503
	<b>978,643</b>	<b>800,024</b>
Allowance for impairment losses	(978,643)	(800,024)
	<b>₱-</b>	<b>₱-</b>

Movements in allowance for impairment loss on other assets follow:

	2016	2015
Balance at the beginning of the year	₱800,024	₱112,503
Provision for impairment loss	178,619	687,521
Balance at the end of the year	<b>₱978,643</b>	<b>₱800,024</b>



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## 10. Accounts Payable and Accrued Expenses

This account consists of:

	2016	2015
<b>Financial Liabilities</b>		
Accrued expenses (Notes 18 and 19)	₱1,130,669	₱1,236,481
Other liabilities	491,628	491,843
	<u>1,622,297</u>	<u>1,728,324</u>
<b>Non-financial Liabilities</b>		
Withholding tax payable	34,655	50,700
Other liabilities	26,941	33,483
	<u>61,596</u>	<u>84,183</u>
	<u>₱1,683,893</u>	<u>₱1,812,507</u>

Accrued expenses include accruals for management fees, legal and professional fees. Other liabilities mainly represent unclaimed checks on dividends distributed to stockholders.

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## 11. Equity

The Fund's capital stock consists of:

	2016	2015
Capital stock - ₱1 par value		
Authorized - 184,234,038 common shares in 2016 and 2015		
Issued and fully paid	₱105,272,397	₱105,272,397
Treasury stock - 55,105,000 shares, at cost	(49,198,325)	(49,198,325)
	<u>₱56,074,072</u>	<u>₱56,074,072</u>

NAV per share is computed as follows:

	2016	2015
Net asset value	₱216,378,612	₱221,888,698
Number of shares outstanding	50,167,397	50,167,397
NAV per share	<u>₱4.3131</u>	<u>₱4.4230</u>

The total number of stockholders of the Fund is 5,526 and 5,578 as of December 31, 2016 and 2015, respectively.

### Capital Management

The primary objective of the Fund's capital management is to ensure that its funds are invested in outlets that deliver superior returns with a relatively low degree of volatility and high level of capital preservation in order to have a more responsive NAV per share and improve its share price in the stock exchange.



The Fund manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Fund may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2016 and 2015.

The Fund considers its total equity as reported in the statements of financial position as capital.

Minimum Paid-in Capital Requirement

Section 13 of the Revised Investment Company Act requires every registered investment company to maintain a paid-in capital, which shall remain unimpaired at all times, of no less than ₱50.00 million.

As of December 31, 2016 and 2015, the Fund is compliant with the above externally-imposed capital requirement.

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**12. Basic and Diluted Earnings (Losses) Per Share**

Basic and diluted earnings (losses) per share amounts were computed as follows:

	2016	2015	2014
Net income (loss)	(₱5,510,086)	(₱14,582,605)	₱19,015,048
Weighted average number of common shares outstanding	50,167,397	50,167,397	50,167,397
Basic and diluted earnings (loss) per share	(₱0.1098)	(₱0.2907)	₱0.3790

As of December 31, 2016, 2015 and 2014, there were no potential common shares or other instruments with a dilutive effect on the basic earnings (losses) per share.

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**13. Transaction Fees**

This account consists of:

	2016	2015	2014
Stock transaction tax (Note 19)	₱626,878	₱258,084	₱732,838
Commissions (Note 19)	450,134	237,625	841,985
SCCP* fees (Note 19)	18,005	9,505	33,052
Transaction fees (Note 19)	8,930	4,783	106,893
	<b>₱1,103,947</b>	<b>₱509,997</b>	<b>₱1,714,768</b>

\*Stock Clearing Corporation of the Philippines

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**14. Professional and Legal Fees**

This account consists of expenses incurred for legal, accounting and stock transfer services provided to the Fund amounting to ₱0.93 million, ₱0.83 million and ₱1.32 million in 2016, 2015 and 2014, respectively.





### 15. Miscellaneous Expenses

This account consists of:

	2016	2015	2014
Trainings and seminars	₱4,200	₱11,500	₱22,473
Bank charges	150	150	2,250
Printing and photocopy	—	—	284,750
Other expenses	40,881	27,382	102,444
	<b>₱45,231</b>	<b>₱39,032</b>	<b>₱411,917</b>

Other expenses include transportation and travel, penalties and other administrative expenses.

### 16. Maturity Analysis of Assets and Liabilities

All assets and liabilities of the Fund are due to be realized and settled within one year from the reporting date.

### 17. Provision for Income Tax

Provision for income tax consists of:

	2016	2015	2014
Final tax	₱3,126	₱4,400	₱129,373
MCIT	—	—	1,781
	<b>₱3,126</b>	<b>₱4,400</b>	<b>₱131,154</b>

Final tax pertains to the 20.00% withholding tax on gross interest income from cash and cash equivalents and government securities.

Current tax regulations provide that the RCIT rate is 30.00% while interest expense allowed as a deductible expense is 33.00% of interest income subject to final tax.

The regulations also provide for an MCIT of 2.00% of modified gross income and NOLCO. The MCIT and NOLCO may be applied against the Fund's income tax liability and taxable income, respectively, over a three-year period from the year of inception.

Details of the Fund's MCIT follow:

Inception Year	Amount	Expired	Balance	Expiry Year
2013	₱29,191	(₱29,191)	₱—	2016
2014	1,781	—	1,781	2017
	<b>₱30,972</b>	<b>(₱29,191)</b>	<b>₱1,781</b>	



Details of the Fund's NOLCO, which is available for offset against future taxable income, follow:

Inception Year	Amount	Expired	Balance	Expiry Year
2013	₱5,148,145	(₱5,148,145)	₱-	2016
2014	5,991,472	-	5,991,472	2017
2015	4,573,671	-	4,573,671	2018
2016	5,044,573	-	5,044,573	2019
	<b>₱20,757,861</b>	<b>(₱5,148,145)</b>	<b>₱15,609,716</b>	

As of December 31, 2016 and 2015, the Fund did not recognize deferred tax asset amounting to ₱4.68 million and ₱4.74 million, respectively, on NOLCO and MCIT as management believes that the benefit from such asset will not be realized prior to its expiry.

The reconciliation of income tax computed at the statutory tax rate to provision for income tax follows:

	2016	2015	2014
Statutory income tax (tax loss)	(₱1,652,088)	(₱4,373,462)	₱5,743,861
Tax effect of:			
Expired NOLCO and MCIT	1,573,635	1,972,759	2,078,192
Non-deductible expenses	241,648	284,749	159,851
Tax-exempt loss (income)	(98,243)	2,723,211	(7,507,094)
Change in unrecognized deferred tax asset	(60,263)	(600,657)	(280,750)
Tax-paid income	(1,563)	(2,200)	(62,906)
	<b>₱3,126</b>	<b>₱4,400</b>	<b>₱131,154</b>

## 18. Investment Management Agreement

As described in Note 1, the Fund's investment manager is VII. The Fund pays management fee, on a quarterly basis, equivalent to 1.00% per annum of the average net asset value of the Fund at the beginning and end of the quarter period.

In 2016, 2015 and 2014, the Fund recognized management fees for VII amounting to ₱2.32 million, ₱2.35 million and ₱1.75 million, respectively.

Management fees payable (included in 'Accounts payable and accrued expenses') amounted to ₱0.42 million and ₱0.70 million as of December 31, 2016 and 2015, respectively.

## 19. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or the parties are subject to common control or common significant influence, referred to as affiliates. Related parties may be individuals or corporate entities.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly. The Fund considers directors to constitute key management personnel.



The significant transactions and outstanding balances of the Fund with related parties follow:

December 31, 2016			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
<u>Parent Company</u>			
VDC			
Accrued expenses		₱92,674	Various expenses advanced by VDC on behalf of the Fund in prior years.
<u>Entities under common control</u>			
VII			
Accrued expenses		415,213	Unpaid balance of management fees payable.
Management fees	₱2,317,754		Fees incurred for management services rendered by VII computed as 1% per annum of the net asset value of the Fund.
Miscellaneous expense	6,104		Various miscellaneous expenses advanced by VII for the Fund including replenishment of petty cash.
AB Capital Securities, Inc.			
Commission expense	446,486		Commission paid to AB Capital Securities, Inc. for buy and sell of equity securities transactions at the rate of 0.25% of gross purchase price/selling price.
Transaction fees	646,371		Includes SCCP fees, sales tax and transaction fees for buy and sell of trading securities.
Purchases	54,670,161		
Sales	123,916,156		
ABCIC – TID			
Investments in UITF		81,400,671	Trust arrangements managed by ABCIC – TID.
Vicsal Foundation, Inc.			
Donation	₱200,000		Donation to Vicsal Foundation, Inc.
<u>Key management personnel</u>			
Directors			
Directors' fees	441,176		Fees paid to the members of the Fund's BOD at a fixed amount of ₱29,412 per director for every attendance in Board meetings.
December 31, 2015			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
<u>Parent Company</u>			
VDC			
Accrued expenses		₱92,674	Various expenses advanced by VDC on behalf of the Fund in prior years.
<u>Entities under common control</u>			
VII			
Accrued expenses		701,215	Unpaid balance of management fees payable.
Management fees	₱2,348,000		Fees incurred for management services rendered by VII computed as 1% per annum of the net asset value of the Fund.
Miscellaneous expense	5,940		Various miscellaneous expenses advanced by VII for the Fund including replenishment of petty cash.



December 31, 2015			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
AB Capital Securities, Inc.			
Due from broker		30	Receivable from AB Capital Securities, Inc. for selling of equities.
Commission expense	237,625		Commission paid to AB Capital Securities, Inc. for buy and sell of equity securities transactions at the rate of 0.25% of gross purchase price/selling price.
Transaction fees	272,372		Includes SCCP fees, sales tax and transaction fees for buy and sell of trading securities.
Purchases	56,903,102		
Sales	51,616,757		
ABCIC - TID			
Investments in UITF		18,066,128	Trust arrangements managed by ABCIC - TID.
<u>Key management personnel</u>			
Directors			
Directors' fees	411,765		Fees paid to the members of the Fund's BOD at a fixed amount of ₱29,412 per director for every attendance in Board meetings.

As discussed in Note 7, the Fund's investments in UITF are managed by ABCIC - TID, the trust department of an entity under common control.

*Terms and conditions of transactions with related parties*

Outstanding balances at year-end are unsecured and interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. As of December 31, 2016 and 2015, the Fund has not recorded any impairment of receivables from related parties. This assessment is undertaken each year through examining the financial position of the related party.

## 20. Segment Information

The Fund has one operating segment. The table below shows the analyses of the Fund's operating income (loss) per investment type:

	2016	2015	2014
Cash and cash equivalents	₱15,630	₱22,003	₱48,776
Quoted equity securities	(342,030)	(9,011,807)	25,020,144
Investments in UITF	669,508	(65,562)	1,607,932
Government securities	-	-	(1,006,340)
Loans receivable	-	-	89,032
	<b>₱343,108</b>	<b>(₱9,055,366)</b>	<b>₱25,759,544</b>

Management monitors the operating results of the Fund for the purpose of making decisions about resource allocation and performance assessment.

## 21. Approval for the Release of the Financial Statements

The accompanying financial statements of the Fund were approved and authorized for issue by the BOD on March 9, 2017.



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**22. Report on the Supplementary Information Required Under Revenue Regulations (RR) 15-2010**

In compliance with RR 15-2010, the Fund presents the information below on taxes, duties and license fees paid or accrued during the taxable year.

Taxes and Licenses

The Fund's taxes and licenses amounting to ₱31,925 pertain to business permit paid by the Fund in 2016.

Withholding Taxes

Total remittances of the Fund in 2016 on expanded withholding taxes amounted to ₱546,122, with an outstanding balance of ₱34,655 as of December 31, 2016.

Stock Transaction Taxes

Total stock transaction tax of the Fund for the sale of equity shares amounted to ₱626,878 in 2016.




## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors  
Filipino Fund, Inc.  
Unit 1009-1011, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Filipino Fund, Inc. (the Fund) as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 and have issued our report thereon dated March 9, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Fund's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

  
Janet A. Paraiso  
Partner  
CPA Certificate No. 92305  
SEC Accreditation No. 0778-AR-2 (Group A),  
May 1, 2015, valid until April 30, 2018  
Tax Identification No. 193-975-241  
BIR Accreditation No. 08-001998-62-2015,  
February 27, 2015, valid until February 26, 2018  
PTR No. 5908661, January 3, 2017, Makati City

March 9, 2017



APR 06 2017



**FILIPINO FUND, INC.**  
**INDEX TO THE FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**

Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company

Schedule of All the Effective Standards and Interpretations under PFRS as of December 31, 2016

Total Investment of the Fund to the Outstanding Securities on an Investee Company

Percentage of Investment in a Single Enterprise to Net Asset Value

Supplementary Schedules Required by Annex 68 - E:

Schedule A - Financial Assets

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related parties, and Principal Stockholders (other than related parties)

Schedule C - Amounts Receivable from Related Parties Which are Eliminated During the Consolidation of Financial Statements

Schedule D - Intangible Assets

Schedule E - Long Term Debt

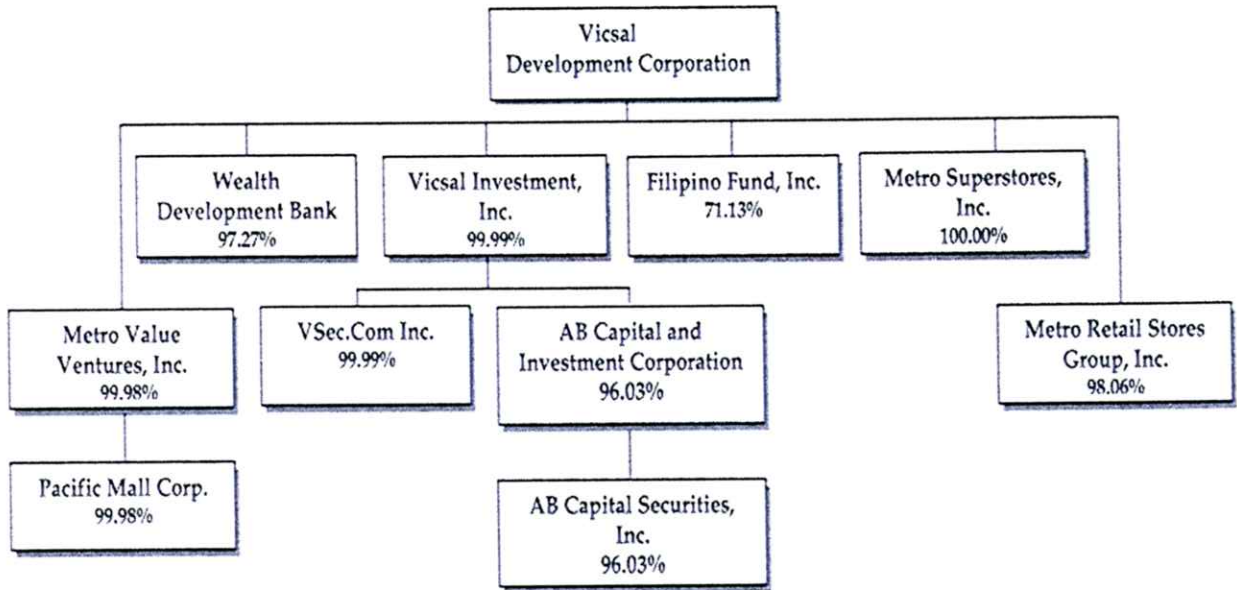
Schedule F - Indebtedness to Related Parties (Long Term Loans from Related Parties)

Schedule G - Guarantees of Securities of Other Issues

Schedule H - Capital Stock



**FILIPINO FUND, INC.**  
**MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE**  
**COMPANY AND ITS ULTIMATE PARENT COMPANY**  
**PERIODS UNDER SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2016**





**FILIPINO FUND, INC.**

**SCHEDULE OF ALL THE EFFECTIVE STANDARDS  
UNDER PFRS IN COMPLIANCE WITH SRC RULE 68, AS AMENDED  
DECEMBER 31, 2016**

List of Philippine Financial Reporting Standards (PFRS) [which consist of PFRSs and Philippine Accounting Standards (PAS)] effective as of December 31, 2016:

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2016		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRS Practice Statement Management Commentary</b>		✓		
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions		✓	
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments Assets to the Entity's Assets			✓
PFRS 9	PFRS 9, Financial Instruments		✓	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture		✓	



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
	Amendments to PFRS 10, PFRS 12 and PAS 28 Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Investment Entities			✓
	Amendments to PFRS 11: Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendment to PFRS 12, Clarification of the Scope of the Standard		✓	
PFRS 13	Fair Value Measurement (2013 Version)	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	
<b>Philippine Accounting Standards</b>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income			✓
	Amendment to PAS 1: Presentation of Financial Statements – Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendment to PAS 7: Disclosure Initiative		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		✓	



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
PAS 16	Property, Plant and Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases			✓
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Regional Market Issue regarding Discount Rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel			✓
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28 Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture		✓	
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Disclosure of Information 'Elsewhere in the Interim Financial Report'	✓		
PAS 36	Impairment of Assets			✓
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
PAS 40	Investment Property			✓
	Amendment to PAS 40: Investment Property: Clarifying the relationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property			✓
	Amendments to PAS 40: Investment Property, Transfers of Investment Property		✓	
PAS 41	Agriculture			✓
	Amendment to PAS 16 and PAS 41: Bearer Plants			✓
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC-22	Foreign Currency Transactions and Advance Consideration		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓



**FILIPINO FUND, INC.**  
**TOTAL INVESTMENT OF THE FUND TO THE**  
**OUTSTANDING SECURITIES**  
**ON AN INVESTEE COMPANY**  
**DECEMBER 31, 2016**

INVESTEE COMPANY	2016	2015
Ayala Corporation	0.001065%	0.000646%
Aboitiz Equity Ventures, Inc.	0.000547%	0.000547%
Ayala Land, Inc.	0.002467%	0.001992%
Alliance Global Group, Inc.	-	0.004382%
Aboitiz Power Corporation	-	0.002650%
Banco de Oro Unibank, Inc.	0.000687%	0.000719%
Belle Corporation	-	0.003018%
Bank of the Philippine Islands	-	0.000772%
Bloomberry Resorts Corporation	-	0.005016%
Cebu Air, Inc.	0.004291%	0.006946%
China Banking Corporation	-	0.000001%
Cirtek Holdings Philippines Corporation	-	0.007373%
DMCI Holdings, Inc.	-	0.006225%
D & L Industries, Inc.	-	0.002036%
Energy Development Corporation	-	0.004261%
Emperador, Inc.	-	0.000186%
First Gen Corporation	0.008790%	0.007723%
Globe Telecom, Inc.	-	0.000354%
GT Capital Holdings, Inc.	0.004676%	0.004321%
International Container Terminal Services, Inc.	0.000822%	0.001602%
Jollibee Foods Corporation	-	0.000711%
JG Summit Holdings, Inc.	0.000621%	0.000426%
Metropolitan Bank & Trust Company	0.006762%	0.006933%
LT Group, Inc.	-	0.000434%
Megaworld Corporation	0.001802%	0.003849%
Manila Electric Company	0.005110%	0.003460%
Metro Pacific Investment Corporation	-	0.005716%
Metro Retail Stores Group, Inc	0.076574%	0.098473%
Nickel Asia Corporation	0.005450%	0.008166%
Petron Corporation	-	0.006773%
Philex Mining Corporation	0.007084%	-
Puregold Price Club, Inc.	0.001808%	-
Pilipinas Shell Petroleum Corp.	0.000868%	-
Robinsons Land Corporation	-	0.000660%
Robinsons Retail Holdings, Inc.	-	0.002622%
Semirara Mining Corporation	0.010020%	0.006745%
SM Investments Corporation	0.001208%	0.001715%
San Miguel Corporation "A"	-	0.000142%
SM Prime Holdings, Inc.	-	0.000425%
Philippine Long Distance Telephone Company	-	0.001736%
Universal Robina Corporation	0.000681%	0.000688%
Xurpas, Inc	0.051744%	0.051744%





**FILIPINO FUND, INC.**  
**PERCENTAGE OF INVESTMENT IN A SINGLE ENTERPRISE**  
**TO NET ASSET VALUE**  
**DECEMBER 31, 2016**

COMPANY	2016	2015
Ayala Corporation	2.228304%	1.362845%
Aboitiz Equity Ventures, Inc.	0.994757%	0.793948%
Alliance Global Group, Inc.	-	3.265151%
Ayala Land, Inc.	5.361278%	4.545955%
Aboitiz Power Corporation	-	3.664675%
Banco de Oro Unibank, Inc.	1.357429%	1.239811%
Belle Corporation	-	0.416522%
Bank of the Philippine Islands	-	1.146903%
Bloomberry Resorts Corporation	-	1.130454%
Cebu Air, Inc.	1.117549%	1.562095%
China Banking Corporation	-	0.000184%
Cirtek Holdings Philippine Corporation	-	0.233788%
DMCI Holdings, Inc.	-	5.140280%
D & L Industries, Inc.	-	0.599584%
Energy Development Corporation	-	2.232561%
Emperador Inc.	-	0.121007%
First Gen Corporation	3.272044%	2.839658%
Globe Telecom, Inc.	-	0.392287%
GT Capital Holdings, Inc.	4.783785%	4.480733%
International Container Terminal Services, Inc.	0.556003%	1.032851%
JG Summit Holdings, Inc.	1.391356%	1.007555%
Jollibee Foods Corporation	-	0.750106%
LT Group, Inc.	-	0.313067%
Metropolitan Bank & Trust Company	7.215497%	7.993814%
Megaworld Corporation	0.958638%	2.376980%
Manila Electric Company	7.054703%	5.624441%
Metro Pacific Investment Corporation	-	3.735567%
Metro Retail Stores Group, Inc.	4.915414%	6.057298%
Nickel Asia Corporation	1.526911%	1.747509%
Petron Corporation	-	2.000395%
Philex Mining Corporation	1.391159%	-
Pilipinas Shell Petroleum Corp.	0.451641%	-
Puregold Price Club, Inc.	0.901249%	-
Robinsons Land Corporation	-	0.334627%
Robinsons Retail Holdings, Inc.	-	1.030936%
Semirara Mining Corporation	6.434320%	4.434784%
SM Investments Corporation	4.404683%	5.361823%
San Miguel Corporation "A"	-	0.075787%
SM Prime Holdings, Inc.	-	1.201189%
Philippine Long Distance Telephone Company	-	3.481475%
Universal Robina Corporation	1.133494%	1.257387%
Xurpas, Inc.	3.286602%	6.104772%



**FILIPINO FUND, INC.**  
**SCHEDULE A – FINANCIAL ASSETS**  
As of December 31, 2016

**Financial Assets at Fair Value through Profit or Loss**

<i>Name of issuing entity Quoted equity securities</i>	<i>Number of shares or units</i>	<i>Amount shown in the balance sheet</i>	<i>Income received and accrued*</i>
Ayala Corporation	6,600	₱4,821,300	₱40,896
Aboitiz Equity Ventures, Inc.	30,400	2,152,320	32,224
Ayala Land, Inc.	362,500	11,600,000	125,973
Banco de Oro Unibank, Inc.	26,200	2,937,020	31,440
Cebu Air, Inc.	26,000	2,418,000	84,180
First Gen Corporation	321,800	7,079,600	112,630
GT Capital Holdings, Inc.	8,150	10,350,500	45,192
International Container Terminal Services, Inc.	16,720	1,203,004	16,016
JG Summit Holdings, Inc.	44,500	3,010,425	11,375
Metropolitan Bank & Trust Company	215,040	15,611,904	215,040
Megaworld Corporation	581,000	2,074,170	9,147
Manila Electric Company	57,600	15,264,000	1,260,028
Metro Retail Stores Group, Inc.	2,626,000	10,635,300	151,965
Nickel Asia Corporation	414,000	3,303,720	49,632
Pilipinas Shell Petroleum Corp.	14,000	977,200	–
Philex Mining Corporation	350,000	3,010,000	–
Puregold Price Club, Inc.	50,000	1,950,000	–
Semirara Mining Corporation	107,090	13,921,700	288,360
SM Investment Corporation	14,550	9,530,250	63,780
Universal Robina Corporation	15,000	2,452,500	47,250
Xurpas, Inc.	890,000	7,111,100	42,720
<b>Subtotal</b>		<b>131,414,013</b>	<b>2,627,848</b>
<b>Investments in UITF</b>			
Short-term fund	75,441,430	78,564,932	564,932
Equity fund	583,159	1,631,218	(65,996)
Balanced fund	1,250,000	1,204,521	(24,060)
<b>Subtotal</b>		<b>81,400,671</b>	<b>474,876</b>
<b>Total</b>		<b>₱212,814,684</b>	<b>₱3,102,724</b>

\*Represents dividend income for quoted equity securities and gain (loss) on redemption for investments in UITF



**FILIPINO FUND, INC.**  
**SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS,**  
**EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS**  
**(OTHER THAN RELATED PARTIES)**  
As of December 31, 2016

Name and Designation of Debtor	Balance at Beginning of the Period	Additions	Amounts Collected	Amounts Written-off	Current	Not Current	Balance at End of the Period
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NONE TO REPORT



**FILIPINO FUND, INC.**  
**SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH**  
**ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**  
**As of December 31, 2016**

<b>Name and Designation of debtors</b>	<b>Balance at beginning of period</b>	<b>Additions</b>	<b>Amounts collected (i)</b>	<b>Amounts written off (ii)</b>	<b>Current</b>	<b>Not Current</b>	<b>Balance at end of the period</b>
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NOT APPLICABLE



**FILIPINO FUND, INC.**  
**SCHEDULE D – INTANGIBLE ASSETS**  
As of December 31, 2016

<b>Description (i)</b>	<b>Beginning Balance</b>	<b>Additions at Cost (ii)</b>	<b>Charge to cost and expenses</b>	<b>Charge to other accounts</b>	<b>Other changes additions (deductions) (iii)</b>	<b>Ending Balance</b>
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NONE TO REPORT



**FILIPINO FUND, INC.**  
**SCHEDULE E – LONG TERM DEBT**  
**As of December 31, 2016**

<b>Title of Issue and type of obligation (i)</b>	<b>Amount authorized by indenture</b>	<b>Amount shown under caption “Current portion of Long-Term Debt” in related balance sheet (ii)</b>	<b>Amount shown under caption “Long-Term Debt” in related balance sheet (iii)</b>	<b>Interest Rate</b>	<b>Maturity Date</b>
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NONE TO REPORT



**FILIPINO FUND, INC.**  
**SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES**  
**(LONG TERM LOANS FROM RELATED PARTIES)**  
**As of December 31, 2016**

<b>Name of Related Party (i)</b>	<b>Balance at the Beginning of the Period</b>	<b>Balance at the End of the Period (ii)</b>
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NONE TO REPORT



**FILIPINO FUND, INC.**  
**SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUES**  
**As of December 31, 2016**

<b>Name of issuing entity of securities guaranteed by the company for which the statement is filed</b>	<b>Title of issue of each class of securities guaranteed</b>	<b>Total amount guaranteed and outstanding (i)</b>	<b>Amount owned by person for which statement if filed</b>	<b>Nature of guarantee (ii)</b>
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NONE TO REPORT





**FILIPINO FUND, INC.**  
**SCHEDULE H – CAPITAL STOCK**  
As of December 31, 2016

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding at shown under related Balance Sheet caption	Number of Shares reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by related parties	Directors, Officers, and Employees	Others
<b>FILIPINO FUND INCORPORATED – Common Shares</b>	184,234,038	50,167,397*	-	35,623,406	63,221	14,480,770

*\*Net of treasury shares*



**FILIPINO FUND, INC.**  
Unit 1009-1011, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

Unappropriated Retained Earnings, <i>as adjusted to available for dividend declaration, beginning (before deducting treasury shares)</i>	<b>₱71,453,502</b>
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<b>Add: Net investment loss actually earned/realized during the year</b>	
Net loss	(5,522,391)
Less: Unrealized fair value gain	(474,876)
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<b>Net investment loss actually incurred during the year</b>	<b>(5,997,267)</b>
Add (less):	
Treasury shares	(49,198,325)
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<b>TOTAL AVAILABLE UNAPPROPRIATED RETAINED EARNINGS FOR DIVIDEND</b>	<b>₱16,257,910</b>
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**FILIPINO FUND, INC.**  
**SCHEDULE SHOWING FINANCIAL SOUNDESS INDICATORS IN TWO**  
**COMPARATIVE PERIODS UNDER SRC RULE 68, AS AMENDED**

	2016	2015
Current/liquidity ratio	12,949.90%	12,342.09%
Debt-to-equity ratio	0.78%	0.82%
Asset-to-equity ratio	100.78%	100.82%
Profit margin	(1,605.93%)	161.04%
Return on assets	(2.49%)	(6.24%)
Return on equity	(2.51%)	(6.36%)

<sup>(a)</sup> Current ratio is the measure of current assets to current liabilities.

<sup>(b)</sup> Debt to equity ratio is measured as total liabilities to total equity.

<sup>(c)</sup> Asset to equity ratio is measured as total assets divided by total equity.

<sup>(d)</sup> Profit margin is derived by dividing net loss with total revenues.

<sup>(e)</sup> Return on assets is measured by dividing net loss over average total assets.

<sup>(f)</sup> Return on equity is derived by dividing net loss over average equity.

