

## **FINAL PROSPECTUS**

# **PAMI ASIA BALANCED FUND, INC.**

THIRTY SIX MILLION (36,000,000) PAMI ASIA BALANCED FUND, INC. (PABF) SHARES OF PHP16,200,000.00 AT A PAR VALUE OF PHP0.45 PER SHARE WILL BE OFFERED TO THE PUBLIC AT THE CURRENT NET ASSET VALUE PER SHARE ("NAVPS"). THE FUND SHALL BE READY TO BUY AND SELL SHARES TO THE PUBLIC IN ANY OF ITS OFFICES AND BRANCHES.

THE FUND'S SHARES WILL BE SOLD OVER THE COUNTER. PHILAM ASSET MANAGEMENT, INC. IS THE FUND'S DISTRIBUTOR AND INVESTMENT MANAGER.

**November 10, 2016**

## THE PAMI ASIA BALANCED FUND, INC.

This Prospectus pertains to the registration and offer to the public of an additional of 28,000,000 new shares pursuant to the application for increase in authorized capital stock from 8,000,000 to 36,000,000 common shares which was approved by the Securities and Exchange Commission (“SEC”) on February 18, 2013.

The increase in the Company’s authorized capital stock, approved by the SEC on July 3, 2012, was brought about by the Fund's successful distribution activities which is a direct result of the Fund's positive performance since its launch in April 1, 2011. Subject to the registration of the additional 28,000,000 shares with the SEC, the offering of the same to the public will allow the Fund to invest in a broad range of securities which will further improve its diversification and overall performance.

Estimated gross proceeds of the 36,000,000 shares, if sold at net asset value per share (“NAVPS”) (i.e., USD0.8829/Php47.0600) as of June 30, 2016, is Php1,694,160,000.00 (USD31,784,400.00). All proceeds will be held by the custodian bank.

The proceeds from the sale of PABFI shares will be invested in equities, equity-related securities, and debt securities of Asian issuers.

The Company does not plan to declare cash dividends<sup>1</sup>. Surplus profits of the Company (if any), will be used as additional proceeds to invest in eligible securities.

The Investment Manager (or “Fund Manager”) of the Fund is Philam Asset Management, Inc. (PAMI). For its services, the Investment Manager shall charge a management fee equivalent to and not exceeding one-sixth of one per centum (1/6 of 1) per month, or 2% per year, of the average net value of the Fund’s assets, computed on a daily basis.

The Fund Manager will also receive from the Fund a sales load fee based on the following schedule:

Investment Amount (in Php)	Sales Load	VAT on Sales Load (12%)	Entry Fee + 12% VAT
5,000 to 49,999.99	3.00%	0.36%	3.36%
50,000 to 99,999.99	2.50%	0.30%	2.80%
100,000 to 149,999.99	2.00%	0.24%	2.24%
150,000 to 249,999.99	1.50%	0.18%	1.68%
250,000 and above	1.00%	0.12%	1.12%

PABFI’s office is located at:

17<sup>th</sup> FLOOR NET LIMA BUILDING,  
5<sup>th</sup> AVENUE CORNER 26<sup>th</sup> STREET  
BONIFACIO GLOBAL CITY, TAGUIG 1634  
TELEPHONE NUMBERS: (632) 5216300  
FAX NUMBERS: (632) 5285093

<sup>1</sup> As amended by the majority vote of the Board of Directors during its Regular Meeting held on 27 October 2016 at Net Lima Building, 5<sup>th</sup> Avenue corner 26<sup>th</sup> Street, Bonifacio Global City, Taguig City and subject to approval by stockholders on 27 July 2017 during the Annual Shareholders’ Meeting.

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## **THE PAMI ASIA BALANCED FUND, INC.**

The PAMI Asia Balanced Fund, Inc. (“PABFI” or the “Fund”), which was incorporated on February 10, 2009, is an open-ended mutual fund with a par value of Php0.45 (USD0.01) per share which will be offered to the public with a minimum initial investment of USD200<sup>1</sup>, unless otherwise prescribed by the SEC. PABFI has a capitalization of Php3,600,000.00 (USD80,000.00) with a total of Eight Million Shares (8,000,000) with a par value of Php0.45 (USD0.01) inclusive of the two million shares (2,000,000) amounting to Php900,000.00 (USD20,000.00) currently subscribed and paid for by current stockholders. On July 3, 2012, the Securities and Exchange Commission (“SEC”) approved PABFI’s application of an additional 28,000,000 new shares as a result of the Fund’s successful distribution activities given the Fund’s positive performance since its launch in April 1, 2011.

The Fund is moderate in risk given its investment objectives as discussed in the succeeding sections. The Fund provides investors with income and long-term capital appreciation through investments in equities, equity-related securities and debt securities of Asian issuers.

PABFI will be managed according to the asset allocation of 50% Equities, and 50% Fixed Income and Money Market instruments. This mix allows for participation in the equity markets, which yields higher returns, and will enhance the “growth” potential of the portfolio whilst the allocation to bonds will ensure that the portfolio is adequately buffered against volatility and risk of capital loss.

Philam Asset Management, Inc. is the investment manager of the Fund (“PAMI”) and a wholly owned subsidiary of Philippine American Life and General Insurance Company (“Philam Life”), one of the largest insurance companies in the Philippines and an affiliate of American International Assurance (“AIA”). Philam Life is a household brand in insurance with over 65 years of presence in the country providing protection and savings to more than one million individual and corporate clients. PAMI has a sub-management agreement with Amundi Singapore Limited, a wholly-owned subsidiary of Amundi, which is the combined asset management arm of Crédit Agricole S.A. and Société Générale.

A leading global asset management company with more than EU987B assets under management (as of 31 March 2016), Amundi has management teams operating in the major financial centres in Europe (Paris, London, Milan), Asia (Tokyo, Hong Kong, Singapore), Australia, and the United States. It invests in all asset classes and major currencies (Euro, Yen, Dollar, Sterling). Amundi has a strong local presence and is committed to offering its clients a relationship defined by both proximity and a long-term view. Its sales network enables it to offer: a) a local point of contact to tailor and propose investment solutions specific to client’s needs, and b) excellent customer service at every point of the value chain, marked by quality, a pro-active approach and efficiency.

Amundi has developed savings solutions to meet the needs of more than 100 million retail clients worldwide and designs innovative, high-performing products for institutional clients which are tailored specifically to their requirements and risk profile. The group contributes to funding the economy by orienting savings towards company development.

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<sup>1</sup> As amended by a majority vote of the Board of Directors during its Regular Meeting on 27 October 2016 at Net Lima Building, 5<sup>th</sup> Avenue corner 26<sup>th</sup> Street, Bonifacio Global City, Taguig and subject to approval by stockholders during the Annual Shareholders’ Meeting on 27 July 2017.

Amundi develops effective and innovative products for 2,000 institutional clients in more than 30 countries.

It has ties with the largest sovereign wealth funds, pension funds, institutional and corporate funds in France and abroad. It has more than 1,000 distribution agreements with the leading platforms in Europe and Asia.

Amundi currently supplies 8 partner networks in Europe and Asia with innovative, simple and secure savings solutions best suited to their clients. It reaches over 50 million retail investors via these networks.

Thanks to its joint ventures in China, India and Korea, it is also present in markets offering strong growth potential and provides products for an additional 50 million clients.

The Net Asset Value of the Fund will fluctuate with changes in the market value of the Fund's investments. Such changes in market value may occur as a result of various factors, including material changes in the Fund, general economic conditions or interest rate and foreign exchange policy changes.

## **RISKS OF INVESTING**

### **GENERAL RISK WARNING**

- The prices of securities fluctuate as a result of market conditions and any individual security may experience upward or downward movements and may even become valueless. There is a risk that losses may be incurred as a result of buying and selling securities.
- Past performance is not indicative of future performance.
- There is a risk of losing money when securities are bought from smaller companies. There may be a difference between the buying price and the selling price of these securities.
- An investor deals in a range of investments each of which may carry different levels of risk.
- Risks associated in investing in PABFI are further discussed on "Risk Factors" of this prospectus on page 9 onwards.

### **PRUDENCE REQUIRED**

The risk disclosure statement does not purport to disclose all the risks and other significant aspects of investing in these securities. An investor should undertake his or her own research and study of the trading of securities before commencing on any trading activity. He/she may request information on the securities and issuer thereof from the Securities and Exchange Commission (SEC) which is available to the public.

### **PROFESSIONAL ADVICE**

An Investor should seek professional advice if he or she is uncertain of or has not understood any aspect of or the nature of risks involved in trading of securities especially high risk securities.

For a description of the additional risk factors associated with the purchase of PABFI shares, see “Risk Factors” and other information.

**PAMI ASIA BALANCED FUND, INC.  
FINANCIAL HIGHLIGHTS**

Year Ended December 31 for the Year	2014 (Audited)		2015 (Audited)		31-Mar-2016 (Unaudited)		30-Jun-2016 (Unaudited)	
	USD	PHP	USD	PHP	USD	PHP	USD	PHP
Gross Investment Income	839,754	37,312,370	599,796	27,364,193	339,057	15,965,629	344,300	16,180,378
Operating Expenses	1,100,252	48,886,959	2,504,888	114,279,253	116,406	5,481,364	233,208	10,959,610
Provision for Income Tax	266,441	11,838,640	45,084	2,056,845	19,033	896,232	34,423	1,617,709
<b>NET INVESTMENT INCOME (LOSS)</b>	(526,939)	(23,413,229)	(1,950,176)	(88,971,905)	203,618	9,588,033	76,669	3,603,059
TOTAL ASSETS	21,004,861	939,337,384	17,609,538	828,704,859	17,587,504	809,737,754	17,146,532	806,933,605
TOTAL LIABILITIES	271,116	12,124,308	291,151	13,701,567	452,754	20,845,028	999,947	47,058,564
<b>NET ASSETS</b>	20,733,745	927,213,076	17,318,387	815,003,292	17,134,750	788,892,726	16,146,585	1,585,334,518
NAVPS	0.9743	12/29/2014	0.8855	12/29/2015	0.8963	03/31/2016	0.8829	06/30/2016

**GLOSSARY**

Term	Definition
<b>BSP</b>	Bangko Sentral ng Pilipinas
<b>CTI</b>	Citibank, N.A.
<b>NAV</b>	Net Asset Value
<b>NAVPS</b>	Net Asset Value Per Share
<b>PAMI or Fund Management Company or Fund Manager</b>	Philam Asset Management, Inc.
<b>PABFI or Fund or Company</b>	PAMI Asia Balanced Fund, Inc.
<b>USD</b>	U.S. Dollars
<b>PHP</b>	Philippine Pesos
<b>Philam Life</b>	The Philippine American Life and General Insurance Company
<b>R.A. 2629</b>	Republic Act No. 2629 or the Investment Company Act
<b>SEC</b>	Securities and Exchange Commission
<b>Isla Lipana</b>	Isla Lipana and Co.
<b>Amundi</b>	Amundi Singapore Limited

**ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CURRENT.**

**(Sgd.)**  
**ATTY. REYNALDO GERONIMO**  
President

SUBSCRIBED AND SWORN TO before me this NOV 21 2016, in MAKATI CITY; affiant exhibiting to me his Passport EC2113508 issued on 16 September 2014 at Manila.

Doc. No. 116 ;  
Page No. 25 ;  
Book No. x ;  
Series of 2016.

**(Sgd.)**  
**JOSEPH BENEDICT G. GESMUNDO**  
Appointment No. M-278  
Notary Public for Makati City  
Until December 31, 2016  
Penthouse, Liberty Center  
104 H. V. dela Costa Street, Makati City  
Roll of Attorneys No. 58156  
PTR No. 5331144 / Makati City / 01-07-2016  
IBP No. 1015798 / Quezon City / 01-04-2016

## RISK FACTORS

The Net Asset Value of the Fund will fluctuate with changes in the market value of the Fund's investments. With the adoption of the Philippine Accounting Standards (PAS) 39 that requires all assets to be valued on a marked-to-market basis, PABFI's NAVPS will experience volatility due to changes in the underlying securities. Such changes in market value may occur as a result of various factors, including material changes in the Fund, general economic conditions or interest rate and foreign exchange policy changes. Investment companies, unlike bank deposits are not covered by the Philippine Deposit Insurance Corporation (PDIC). Listed below, in order of importance, is a summary of some of the risks and their potential effect on the investor:

- ❖ **Market Risk:** Market risk is the risk of change in the fair value of financial instruments due to market fluctuations (currency, interest rates and market prices) whether such change in price is caused by factors specific to the individual instrument or fund or its issuer or factors affecting all instruments traded in the market.

The Fund structures levels of market risk it accepts through a market risk policy that determines the following: what constitutes market risk for the Fund; basis used to value financial assets and liabilities; asset allocation and portfolio limit structure; diversification benchmarks by type of instrument; the net exposure limits of each counterparty or group of counterparties and industry segments; control over the hedging activities; reports on market risk exposures; compliance with market risk policy and review of market risk policy for the changing environment.

- ❖ **Countries / Regulatory Risks:** Investment in securities of Issuers of Countries involves special considerations and risks, including the risks associated with international investment, such as currency fluctuations, the risks of investing in countries with smaller capital markets, limited liquidity, price volatility, different conditions applying to transaction and control and restrictions on foreign investment, as well as risks associated with Countries' economies, including high inflation and interest rates, large amounts of external debt as well as political and social uncertainties. The funds operations are also subject to various regulations including but not limited to accounting of assets and taxation. Regulations do change and as a result investors may experience lower investment returns or to some extent even losses. For example, increase in income tax rate imposed during the year would result in lower returns.

To mitigate these risks, the Fund will maintain a suitable diversification of individual equity investments across different countries within Asia by way of properly allocating the investments. It could be reflected in the way the portfolio is allocated. A seemingly "risky" area should be given less weight of exposure as to the less "risky" area in terms of regulation. The Fund manager by having the knowledge and updated information on regulation pertaining and affecting the Fund's investment portfolio is also a way to mitigate regulatory risks.

- ❖ **Interest Rate Risk** – is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Fund's fixed rate investments and receivables are exposed to such risk.

The Fund will manage interest rate risk through continuous monitoring of the interest rate environment. During periods of increasing rates and widening of

credit spreads, the fund manager will shorten the duration of the fixed income portfolio. During periods of decreasing rates and narrowing credit spreads, the fund manager will lengthen the duration of the fixed income portfolio.

- ❖ **Liquidity Risk** – risk that an entity will encounter difficulty in raising funds to service redemptions of investors within 7 business days after receiving the valid redemption notice. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated

The funds manage liquidity risk by investing a significant portion in highly marketable and actively traded stocks or fixed income securities.

- ❖ **Stock-lending Risk** - In the event of the Fund entering into stock lending agreements there are risks of delay and recovery. Should the borrower of the securities fail financially, the collateral received will be called upon. The value of the collateral received will equal or exceed in value at all times the value of the securities loaned. In the event of a sudden upward market movement, there is a risk that the value of the collateral may fall below the value of the securities transferred.

The Fund will manage stock lending risk by selecting only reputable counterparties with good fundamentals and sound financial performance. Risk is further minimized through strict and proper monitoring of transactions and complemented by strong backroom support.

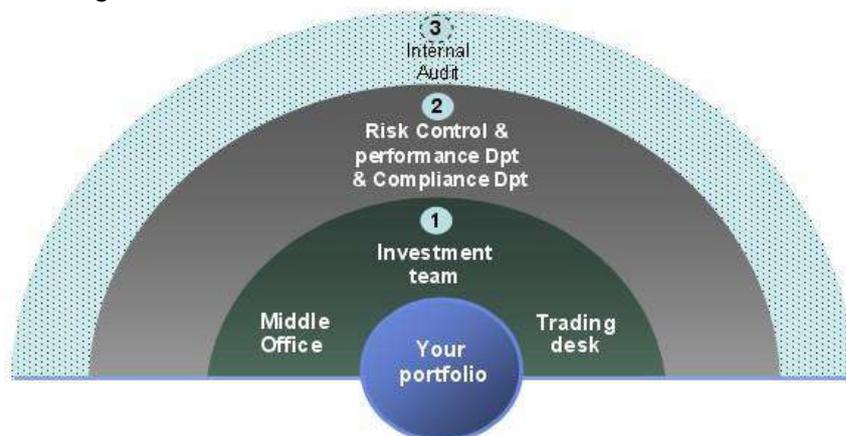
- ❖ **Credit Risk.** Some of the Funds can lend to private corporations to increase yields either by purchasing bonds or through promissory notes. There is a possibility that the borrower may not be able to repay the loan amortization and /or the principal. When this happens, the Funds could lose money because the loan would not be repaid when it falls due or restructured so that the payment terms are extended. These might result in the drop of the NAVPS. In addition, the cash portion of the Fund is kept in time deposits at local and foreign banks. The Funds will mitigate these credit risks by selecting only private corporations and banks with superior management and very strong capital adequacy positions.
- ❖ **Foreign Currency Risk.** The investment of the Fund will be held in fixed income denominated in US Dollars or other major currencies. The value of these currencies fluctuates constantly against the Philippine Peso as well as each other depending on several factors, and largely due to interest rate and inflation rates in their domicile. These will have an impact in the value of the Fund.

The Fund's principal aim is to tap potential growth in Asian markets, thus, foreign currency risk arises primarily with respect to various foreign currencies in which the Fund plans to invest in. The Fund may utilize instruments and techniques available in the market for efficient portfolio management and to cover risks arising from foreign currency risks. Further, the Fund will monitor the health of key countries' economies and political situations, and also said countries' cross-border trade and capital flows. This constant evaluation would drive how the Fund will diversify its portfolio and employ other hedging techniques.

### **Other Risk Management Policies**

Please find below additional risk control techniques that AMUNDI employs in the process:

In Amundi Group and its subsidiaries, risk controls and management are an integral part of all stages of the management process and are carried out at three independent levels as described in the following:



**Diagram on Amundi's Risk Management Process (Source: Amundi)**

1. At the 1<sup>st</sup> level

Portfolio managers monitor portfolio composition and ensure consistency with the investment strategy and risk limits of the Portfolio using an in-house risk monitoring tool. Dealing desk executes orders in line with best execution policy and with authorised counterparties. Finally, Middle office ensures that transactions are processed correctly and reconciliations of positions are performed.

2. At the 2<sup>nd</sup> level

Independent Risk Management and Compliance Departments are involved in the second level of the risk management process. Risk Management Department is in charge of controlling all types of risks (market, credit, operational) and uses in-house dedicated risk systems to monitor risks and guidelines of the Portfolio. Compliance Department ensures compliance with rules, codes and professional standards while overseeing clients' interests.

3. At the 3<sup>rd</sup> level

Independent Internal Audit team performs periodic review of internal controls and risk monitoring measures within Amundi in accordance with a multi annual audit plan.

- Foreign exchange policy (total foreign exchange hedging back to index base currency, partial or no foreign exchange hedging)

PAMI uses hedging in cases where it is the most effective and timely way to reduce currency risk. PAMI views hedging as a short-term adjustment rather than as an attractive long-term opportunity. This policy has not changed over time.

- Fiduciary duty

In managing client portfolios, PAMI has a fiduciary responsibility to treat clients fairly. This duty requires a code of conduct, consistent with other statutory and regulatory obligations, that seeks to be prudent and in the client's best interest. When there is a conflict of interest between PAMI and a client, PAMI must make full disclosure to the

client, and in certain instances, obtain the client's informed consent prior to pursuing a course of action.

Accordingly, employees and officers of PAMI are required to report to Compliance any activities that appear to violate any laws or the Compliance Manual. PAMI has a policy of non-retaliation, so employees may report apparent violations without fear that such action will have a negative impact on their career in the company. Reports of apparent violations may be made anonymously with Compliance.

## **FUND FEATURES**

### **Investment Objectives**

The Fund is moderate in risk given its investment objectives as discussed in the succeeding sections. The Fund provides investors with income and long term capital appreciation through investments in equities, equity-related securities and debt securities of Asian issuers.

### **Investment Plans**

Investment approach

The Manager takes a fundamental approach to investment, incorporating a combination of bottom-up stock selection and top-down asset allocation. Bottom-up approach enables the Manager to identify companies with investment potential in more diverse industries with different business, industrial and economic cycles in the Asia Pacific ex-Japan region, thus enhancing the diversification and risk/return profile of the sub-fund. Company visits and frequent management contacts allow the Manager to evaluate the company from a micro and macro perspective. Selection of bonds is achieved through a top-down quantitative analysis of external global conditions. Allocation to equities enhances the Fund's growth potential and to create alpha whilst allocation to bonds ensures that the sub-fund is adequately buffered against volatility and risk of capital loss.

### **Shares Offered**

The investor may choose to buy shares of the Funds on a "front-end" (Option A) or a "back-end" (Option B) basis.

## **INVESTMENT RESTRICTIONS**

1. Until the Securities and Exchange Commission (SEC) shall provide otherwise, the Fund shall not sell securities short or invest in any of the following:
  - a) margin purchase of securities (investments in partially paid shares are excluded);
  - b) commodity futures contracts;
  - c) precious metals;
  - d) unlimited liability investments;
  - e) Other investments as the SEC shall, from time to time prescribe.

The Fund shall not change its investment objective without prior approval of a majority of its shareholders.

2. The Fund shall not incur any further debt or borrowings unless at the time of its occurrence or immediately thereafter, there is an asset coverage of at least three hundred percent (300%) for all its borrowings. In the event that such asset coverage shall fall below 300%, the Fund shall within three (3) days thereafter, reduce the amount of its borrowings to an extent that the asset coverage of such borrowings shall be at least 300%.
3. The Fund shall not participate in an underwriting group or a selling group in connection with public distribution of securities except for its own capital stock.
4. The Fund shall not purchase from or sell to any of its officers or directors or the officers or directors of the Fund Management Company, managers or distributors or other

firms, of which any of them are members, any security other than the capital stock of the Fund.

5. The Fund shall not make any investment for the purpose of exercising control of management.
6. Total operational expenses of the Fund shall not exceed ten percent (10%) of its average investment fund or net worth as shown in the previous year's audited financial statements of the Fund. The formula shall be as follows:

$$\text{Expense Ratio (\%)} = \frac{\text{Total Operating Expenses}}{\text{Average Net Asset Value}} * 100$$

The average daily net asset value shall be indicated in the investment company's Quarterly and Annual Reports.

7. The maximum investment of the Fund in any single enterprise shall not exceed an amount equivalent to fifteen percent (15%) of the Fund's net asset value except obligations of the Philippine government and other sovereign nations or its instrumentalities, provided that in no case shall the total investment of the Fund exceed ten percent (10%) of the outstanding securities of any one investee company.
8. For liquidity purposes, unless otherwise prescribed by the SEC, in case of open-end companies, at least five percent (5%) of its Fund shall be invested in liquid/semi-liquid assets such as:
  - a. Treasury notes or bills, Central Bank (BSP) Certificates of Indebtedness which are short-term, and other government securities or bonds and such other evidences of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines and other sovereign nations.
  - b. Savings or time deposits with government-owned banks or commercial banks, provided that in no case shall any such savings or time deposits account be accepted or allowed under a "bearer", "numbered" account or other similar arrangement.

Provided that, the open-end company fund shall submit a liquidity contingency plan to the Commission before it implements a decreased investment of less than ten percent (10%) in liquid/semi-liquid assets.

9. The Fund does not plan to invest in foreign securities. However, SEC Memorandum Circular #7 Series of 2005 "Guidelines on the Evaluation of Foreign Investments by Mutual Fund Companies" allows mutual fund companies to invest up to 100% of its assets in foreign securities.
10. The Fund may not lend to individual borrowers.
11. Change in the Fund's investment objective should be with notice and prior approval of the SEC. An investment company shall not change its investment objective without the approval from the majority of the Fund's shareholders
12. The Fund's equity portfolio shall be invested in securities listed in the primary board of the PSE. However, the Fund may also invest on companies listed on the secondary board and from time to time on shares of non-listed companies that are about to get

listed within three months. The total investment in the secondary board of the PSE may not, in total, exceed twenty percent (20%) of the fund.

### Eligible Applicant

Any person of legal age or any duly organized and existing corporation, partnership, or any legal entity regardless of citizenship or nationality may hold shares of the Fund. If the applicant is a corporation, partnership or other legal entity, copies of the Articles of Incorporation and By-Laws, Certificate of Registration and the Resolution of the applicant's Board of Directors authorizing the investment, all duly certified, and must be submitted with the application. The Fund's shares will only be distributed in the Philippines.

### Offering Price

The offering price of one share is its NAVPS plus an entry fee or sales load together with twelve percent (12%) Value Added Tax (V.A.T.). Investments received before the daily cut-off time of 12 o'clock noon shall be valued at the NAVPS of the following banking day or (T + 1). However, total subscriptions to the Fund will be reflected in the NAVPS computation one day after the day of transaction (T + 1). A banking day is defined as a day when commercial banks in Metro Manila are not required or authorized to close by law.

### Sales Load

The investor may choose to buy shares of the Funds on a "front-end" (Option A) or a "back-end" (Option B) basis.

#### Option A or A-shares

Sales commission will be paid to the investor's mutual fund dealer when shares of the Fund are bought. Under this purchase option, the investor may redeem his shares free of charge after the minimum holding period of 6 months has been satisfied. The commission shall not exceed 3% of the investor's total purchase.

Investment Amount (in Php)	Sales Load	VAT on Sales Load (12%)	Entry Fee + 12% VAT
5,000 to 49,999.99	3.00%	0.36%	3.36%
50,000 to 99,999.99	2.50%	0.30%	2.80%
100,000 to 149,999.99	2.00%	0.24%	2.24%
150,000 to 249,999.99	1.50%	0.18%	1.68%
250,000 and above	1.00%	0.12%	1.12%

#### Option B or B-shares

Allows investments with no initial sales commission deducted. PAMI pays a commission to the dealer on the investor's purchase. In return, the investor agrees to "repay" PAMI a deferred sales charge ("DSC") plus VAT, if he sells the investment, or a portion thereof, within 5 years. The DSC rate decreases as an investor holds on to the investment, and approaches zero by year five (5). In order to reduce the DSC payable, treatment of redemptions of the shares of the fund will be "first in, first out".

Placement Period	Exit Fee	12% VAT on Exit Fee	Exit Fee + 12% VAT
Less than 1 year	5.00%	0.60%	5.60%
More than 1 year but less than 2 years	4.00%	0.48%	4.48%
More than 2 years but less than 3 years	3.00%	0.36%	3.36%
More than 3 years but less than 4 years	2.00%	0.24%	2.24%
More than 4 years but less than 5 years	1.00%	0.12%	1.12%

The management fee to be charged by PAMI is a maximum of 2% per year.

**Purchase Policy**

Shares sold shall be on a cash basis. Installment sales are prohibited.

**Income Distribution Policy**

Surplus profits of the Company (if any), will be used as additional proceeds to invest in eligible securities. The Company does not plan to declare cash dividends.

## PROCEDURES IN THE SUBSCRIPTION AND REDEMPTION OF SECURITIES

### Opening an Account

Any qualified investor may purchase PABFI shares, through the principal distributor, PAMI, or through any PAMI Certified Investment Solicitor.

#### 1. Individual Accounts

- Client Information Sheet (CIS) for the primary and secondary investors, including the Bureau of Internal Revenue (BIR) Tax Identification Number (TIN) ID
- Subscription Transaction Form (STF)
- Photocopy of one (1) valid ID with photo from each “AND” and “OR” joint investors (authenticated copy).

Examples of acceptable IDs issued by an official authority as contained in the CIS are listed below.

- Bureau of Internal Revenue (BIR) Tax Identification No. (TIN) I.D.
  - Department of Foreign Affairs I.D.
  - Social Security System (SSS) I.D.
  - Government Service Insurance System (GSIS) I.D.
  - Philippine Health Insurance Corp. (Philhealth) I.D.
  - Home Development Mutual Fund (PAG-IBIG) I.D.
  - Commission on Election (COMELEC) Voters
  - Philippine Regulatory Commission (PRC) I.D.
  - Philippine Postal Office I.D.
  - Land Transportation Office (LTO) Driver’s License
  - Philippine Passport
  - Barangay Office or Center
- Copy of Trust Agreement in case of ITF Account

The receiving agent, PAMI sales or sales & administrative assistant personnel should confirm that the original IDs were personally shown to him by writing in the STF the statement: *ID authenticated by “name of receiving personnel”* and affixing his signature after the statement.

#### 2. Corporate Accounts

- Client Information Sheet (CIS) for corporate accounts, including Bureau of Internal Revenue (BIR) Tax Identification Number (TIN) ID
- Subscription Transaction Form (STF)
- Articles of Incorporation or Partnership
- By-laws
- Board Resolution or Secretary’s Certificate to invest in the Fund
- Board Resolution or Secretary’s Certificate on the authorized signatories
- Latest General Information Sheet
- Contact numbers

- Sworn statement as to the existence or non-existence of beneficial owners
- Verification of the authority and identification of the person purporting to act on behalf of the client
- Valid ID's and Specimen signature(s) of the authorized signatories.

The receiving agent, PAMI sales or sales & administrative assistant personnel should confirm that the original IDs were personally shown to him by writing in the STF the statement: *ID authenticated by "name of receiving personnel"* and affixing his signature after the statement.

### **Additional Investments**

To add to an existing account, a STF is accomplished and, together with the check or payment order, submitted to the account manager. For existing joint, any one of the investors can add to the investment and sign the documents. To add to an existing account, an STF should be accomplished and, together with the cash, check or payment order, submitted to a PAMI Certified Investment Solicitor or thru any of the PAMI branches nationwide. For existing joint accounts, any one of the investors may add to the investment and sign the STF documents.

Additional investments can also be made over-the-counter and via online thru any of the cash management banks as designated by PAMI.

### **Acceptance of Applications**

Applications to purchase are subject to confirmation by PAMI as to the amount of shares, the applicable NAVPS and the final approval by the investment manager. Applications that do not comply with the purchase terms, rules and regulations may be rejected at the sole discretion of the Fund Manager.

PAMI reserves the right to reject subscriptions, or to restrict purchases by an investor, when such purchase is disruptive to the interests of the other shareholders and management of the Fund as determined by the Fund Manager. The subscription amount will be returned to the investor without interest and after deducting applicable bank charges, within five business days.

### **Determination of NAVPS**

The offering price of one share is the Fund's NAVPS plus an entry fee or sales load and any applicable taxes. The NAVPS is normally calculated as of 8:00 P.M. of each banking day. It is determined by taking the fair value of the Fund's total assets less all liabilities and divided by the total number of shares outstanding. Other trades which do not meet the custodian's cut-off time are deemed to have been received the following banking day. Income and expenses are accrued daily and applied when computing for the NAVPS.

### **Issuance of Stock Certificates**

A letter confirming the investment will be given to the shareholder upon approval of the investment application. Stock certificates evidencing ownership of shares shall only be issued by the transfer agent upon the written request of the shareholder and delivered after approval of the application to purchase and receipt of payment thereof, at the address of the investor indicated in the official application to purchase or, upon instruction, to PAMI. Costs of issuance of stock certificates shall be borne by the shareholder. Other than the mandatory documentary

stamp tax for the issuance of stock certificates, the client is charged Php500 which is the cost charged to PAMI by the Transfer Agent (Philam Asset Management, Inc.).

Should shareholders opt not to receive stock certificates, these shall remain in the custody of the transfer agent.

### **Statements and Reports**

Investors will receive a statement of account on a quarterly basis. PAMI shall also send reports, fund updates, fund manager reports to apprise investors of outlook, performance and various information materials within the Company and its funds on a periodic basis. Upon the request of the investor, PAMI shall issue certifications for a fee and annual reports which can also be viewed or downloaded from PAMI website.

### **NAVPS Computation**

NAVPS is defined as the difference of total assets of the Fund less its total liabilities, divided by the number of shares outstanding. The Fund shall compute the NAVPS daily. The price will be posted in a conspicuous place in the principal office of the Company and published daily in at least two newspapers of general circulation in the Philippines.

## **MANNER & METHOD OF REDEMPTION**

### **How to Redeem**

Shareholders can file their redemption request forms in any PAMI office. Redemption from the Fund requires filling-out, disclosing and presenting the following information and documents:

- Redemption Request Form (RRF)
- Reason for Redemption (monitoring form)
- 2 Valid IDs (for walk-in redemptions)

The receiving agent, PAMI sales or sales & administrative assistant personnel should make sure that the forms are completely filled-out with the client's signature affixed on the RRF and SAF. If the redemption is coursed thru fax, the original redemption documents must be submitted before the proceeds will be released. Redemption proceeds will be available three days after the transaction date.

### **Amount of Redemption**

Shareholders can redeem their shares in partial or in full. Partial redemption is allowed if number of shares do not go below the prescribed minimum investment.

### **Redemption**

The redemption price of the securities surrendered before the daily cut-off time shall be the same banking day's NAV per share after the request for redemption is received, while those surrendered after the daily cut-off time shall be deemed to have been received on the following banking day. The daily cut-off time shall be 12:00 noon. Payments for securities redeemed shall be effected within seven (7) banking days from receipt of the request for redemption.

## Claim of Payment for Redeemed Shares

A shareholder must bring a proper ID. In case of a proxy, an authorization letter should accompany the ID of the duly authorized person.

- Submit stock certificate(s) and fill-up an original redemption request form and/or stock assignment(s), if the redemption order was made through phone.

Together with the check, shareholders may be given a copy of the redemption request form upon request.

## Redemption Fee

For Option A or A-Shares

The applicable holding period for option A or A-shares is six (6) months. Redemptions made within six (6) months are subject to an exit fee of no more than 1% (exclusive of twelve percent VAT) of the redemption proceeds. Redemption fee is based on the following schedule:

Placement Period	Exit Fee	12% V.A.T. on Exit Fee	Exit Fee + 12% V.A.T.
Less than six (6) months	1.00%	0.12%	1.12%
Six months and above	0.00%	0.00%	0.00%

For option B or B-shares

The applicable holding period for option B or B-shares is five (5) years. Redemptions made before 5 years are subject to an exit fee of no more than 5% (exclusive of twelve percent VAT) of the redemption proceeds. Redemption fee is based on the following schedule:

Placement Period	Exit Fee	12% VAT on Exit Fee	Exit Fee + 12% VAT
Less than 1 year	5.00%	0.60%	5.60%
More than 1 year but less than 2 years	4.00%	0.48%	4.48%
More than 2 years but less than 3 years	3.00%	0.36%	3.36%
More than 3 years but less than 4 years	2.00%	0.24%	2.24%
More than 4 years but less than 5 years	1.00%	0.12%	1.12%

## Special Considerations

PABFI shall not suspend the right of redemption or postpone the date of payment of redemption request of any redeemable security for more than seven (7) banking days after the tender of such security to the Company, except on the following cases:

1. for any period during which banks are closed other than customary weekend and holiday closings;
2. for any period during which an emergency exists as a result of which (a) disposal by the Company of securities owned by it is not reasonably practicable or (b) it is not reasonably practicable for the Company to determine the value of its net assets; or
3. For such other periods as the SEC may, by order, permit for the protection of security holders of the Company.
4. The Commission may, whenever necessary or appropriate in the public interest and for the protection of investors, suspend the redemption of securities of open-end investment companies.

*Note: Shareholders can file their redemption request forms in any PAMI office.*

### **USE OF PROCEEDS**

The Company plans to use the proceeds from the sale of PABFI shares to build up its investment in equities, equity-related securities, and debt securities of Asian issuers. All proceeds from the sale of shares/ securities, including the original subscription/payments at the time of incorporation shall be held by a custodian bank.

The Fund is exposed to financial risk through its financial assets and financial liabilities. The more important components of this financial risk are, in order of importance, credit risk, liquidity risk and market risk. These risks arise from open positions in interest rate which are exposed to general and specific market movements. This risk that PABF primarily faces due to the nature of its investments is interest rate risk and liquidity risk due to the open-end nature of the Fund. More details are discussed in the "Risk Factors" section of this Prospectus.

Estimated gross proceeds of the PABFI shares, if sold at NAVPS (i.e., USD0.8829/Php47.0600) as of June 30, 2016, is Php1,694,160,000.00 or USD31,784,400.00. In accordance with the SEC's Investment Restrictions and Guidelines, the following table lists the estimated expenses pertaining to the Fund's issuance and distribution as well as the estimated net proceeds from the sale of the PABFI shares.

<b>PARTICULARS</b>	<b>AMOUNT (in Philippine Pesos)</b>
Estimated Gross Proceeds	1,694,160,000.00
Less: Estimated Expenses	
SEC Registration & Filing Fees	986,040.00
Documentary Stamp Taxes	81,000.00
Legal Fees	150,000.00
Management Fees	33,883,200.00
Directors Fees	187,500.00
Advertising (Print)	150,000.00
Sales & Marketing	100,000.00
Prospectus, Letters & Envelopes	50,000.00
Postage	5,000.00
Total Estimated Expenses	35,592,740.00
<b>Estimated Net Proceeds</b>	<b>1,658,567,260.00</b>

No material amount of the proceeds will be used to acquire or finance the acquisition of other businesses. The proceeds will not be used to discharge debt or reimburse any officer, director or shareholder for services rendered, assets previously transferred, money advanced or otherwise, or any other expenses. The proceeds derived by the Fund from the sale of its shares will be held by the custodian bank.

The Fund may also utilize instruments and techniques available in the market for efficient portfolio management and to cover risks arising from foreign exchange risks. The Fund may engage in options for hedging and non-hedging purposes. The Fund may purchase private placements, and securities in 144A transactions, preferred securities and perpetual securities. Rule 144A is a safe harbor exemption from the registration requirements of Section 5 of the Securities Act for certain offers and sales of qualifying securities by certain persons other than the issuer of the securities. The exemption applies to resale of securities to qualified institutional buyers. The Fund may invest in affiliated or unaffiliated money market or liquidity commingled vehicles.

The Fund may also engage in securities lending for the purpose of generating additional capital or income in accordance with the guidelines set down by the SEC.

### **DETERMINATION OF OFFERING PRICE**

The offering price of one share is its NAVPS plus the entry fee or sales load together with twelve percent (12%) Value Added Tax (V.A.T.). The Fund's investing and trading activities on trade date shall be included in the NAVPS calculation one day after the day of transaction (T+1). Other trades which do not meet the custodian's cut-off time are included in the NAVPS calculation two business days from trade date (T+2). Total number of shares subscribed to and redeemed from the Fund will be included in the NAVPS calculation one (1) day after the day of transaction. The daily cut-off time shall be 12 o'clock noon of a banking day. A banking day is defined as a day when commercial banks in Metro Manila are not required or authorized to close by law.

### **PLAN OF DISTRIBUTION**

The Market Regulation Department of SEC issued PAMI its license for the year 2016 to operate as an Investment Company Adviser, subject to the provisions of the Investment Company Act, the Securities Regulation Code and its implementing rules and regulations, as well as other pertinent laws, rules and regulations applicable. The said license was issued last November 27, 2015 and is renewed every November of each year.

Also licensed by the SEC to engage in the distribution of securities to the public, PAMI will directly distribute Fund shares through its licensed account managers and sales officers. Marketing campaigns will utilize print media, direct mailers, and telemarketing. Promotions will be directed at both the distribution channels and the retail investor. PAMI has a sub-management agreement with Amundi Singapore, Limited approved by the Securities and Exchange Commission. During a Commission *en banc* on March 3, 2011, it was resolved that Amundi Singapore, Limited shall no longer be required to register as an Investment Company Adviser before it is allowed to enter into an Investment Management Agreement with PAMI which was documented in a letter to PAMI signed by Mr. Jose P. Aquino, Director of the Market Regulation Department and dated March 4, 2011.

The management fee to be charged by PAMI is a monthly fee not exceeding one-sixth of one percent (1/6 of 1%), or 2% per year of the average net value of the PABFI's assets, computed on a daily basis. Net value shall be determined by computing the total value of the PABFI's assets less its liabilities in accordance with the procedure used in computing the Net Asset

Value of each share of PABFI. The fee accruing during each calendar month shall be paid to PAMI during the first week of the succeeding month.

In addition, PAMI shall be entitled to a performance fee subject to the High Water Marking. This performance fee shall be on the positive out performance of the fund as determined by computing the increase in the current net asset value per share less the High Water Mark or the fund's benchmark rate, whichever is higher. The High Water Mark is based on the highest net asset value per share generated by the fund in the prior periods starting from the time the fund is launched. PAMI shall be entitled to one tenth (1/10) of the positive out performance, if any, multiplied by the average daily number of shares outstanding of PABFI for such year. The performance fee shall be computed and accrued on a daily basis but payment to PAMI shall be made within the next succeeding year.

### **DESCRIPTION OF SECURITIES TO BE REGISTERED**

PABFI was incorporated with an authorized capital stock of Three Million Six Hundred Thousand Pesos Php3,600,000.00 (USD80,000.00), and said capital stock is divided into Eight Million (8,000,000) shares of the par value of Php0.45 (USD0.01) for each share.

On June 16, 2011, the Board of Directors of the Fund, by a vote of the majority of all its members, resolved to increase PABFI's authorized capital stock from Three Million Six Hundred Thousand Pesos Php3,600,000.00 (USD80,000.00) to Sixteen Million Two Hundred Thousand Pesos (Php16,200,000.00).

On July 3, 2012, the SEC approved the Amended Articles of Incorporation of PABFI thereby increasing its authorized capital stock to Sixteen Million Two Hundred Thousand Pesos (Php16,200,000.00), divided into thirty six million shares (36,000,000) with par value of Php0.45 (USD0.01) per share. Of the increase in the authorized capital stock, twenty eight million (28,000,000) new shares will be offered to the public with an offer price equivalent to the Net Asset Value per Share ("NAVPS") plus an entry fee or sales load.

Each share of PABFI stock is a voting stock with voting rights equal to every other outstanding stock. Furthermore, each share of stock is subject to the following rights:

1. Right of Redemption at NAVPS
2. Power of Inspection
3. Right to Information
4. Right to Dividends
5. Appraisal Right

However, each share of PABFI stock is subject to the following restrictions:

1. Waiver of pre-emptive rights – No stockholder shall, because of his ownership of stock, have a pre-emptive or other right to purchase, subscribe for, or take any part of any stock or of any other securities convertible into or carrying options or warrants to purchase stock of the Corporation.
2. Restriction on transfer – No transfer of stock of the Corporation which would reduce the stock ownership or equity interest of Filipino citizens to less than the percentage required by applicable laws or regulations shall be caused or allowed to be recorded in the proper books of the Corporation.

There is no provision in the Company's Articles of Incorporation or By-Laws that would delay, deter, or prevent a change in control of the registrant.

The Company has not sold any unregistered or exempt securities and is prohibited from selling these types of securities. Hence, no exceptions from registration were claimed nor were there any dealings with underwriters to that effect.

### **CORPORATE PROFILE OF PABFI**

PABFI is a stock corporation incorporated on February 10, 2009. The company's sole product is shares (securities) of PABFI. PAMI will directly distribute the Fund's shares. PABFI is an open-ended mutual fund offering shares to the public at net asset value.

As of June 30, 2016, there were 57 registered mutual funds in the industry with over Php247 billion in assets under management<sup>1</sup>. The principal method of competition within the mutual fund industry is performance and service.

There are only four (4) foreign currency-denominated balanced funds in the market. The competitors of PABFI are Sun Life Prosperity Dollar Advantage Fund, Inc. (SLPDAF), Sun Life Prosperity Dollar Wellspring Fund, Inc. (SLPDWF), and Cocolife Dollar Fund Builder, Inc. (CDFBI).

The following table summarizes the comparison of PABFI against its competitors for January to June 2016<sup>2</sup>:

<b>FUND NAME</b>	<b>SALES</b>	<b>REDEMPTIONS</b>	<b>NET SALES</b>
Cocolife Dollar Fund Builder, Inc.	1,148,832.60	329,173.32	819,659.29
PAMI Asia Balanced Fund, Inc.	7,707,261.90	48,942,956.82	(41,235,694.91)
Sun Life Prosperity Dollar Advantage Fund, Inc.	28,388,356.59	122,526,522.28	(94,138,165.69)
Sun Life Prosperity Dollar Wellspring Fund, Inc.	96,291,730.95	0.00	96,291,730.95

The following table summarizes a comparison of PABFI against its competitors for January to December 2015<sup>3</sup>:

<b>FUND NAME</b>	<b>SALES</b>	<b>REDEMPTIONS</b>	<b>NET SALES</b>
Cocolife Dollar Fund Builder, Inc.	61,314,770.34	366,389.82	60,948,380.52
PAMI Asia Balanced Fund, Inc.	811,188,526.74	13,361,394.73	797,827,132.00
Sun Life Prosperity Dollar Advantage Fund, Inc.	2,517,030,696.90	4,762,366.12	2,512,268,330.79

The following table summarizes a comparison of PABFI against its competitors for January to December 2014<sup>4</sup>:

<b>FUND NAME</b>	<b>SALES</b>	<b>REDEMPTIONS</b>	<b>NET SALES</b>
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<sup>1</sup> Source: Philippine Investment Funds Association (PIFA)

<sup>2</sup> Source: Philippine Investment Funds Association (PIFA)

<sup>3</sup> Source: Philippine Investment Fund Association (PIFA)

<sup>4</sup> Source: Philippine Investment Fund Association (PIFA)

Cocolife Dollar Fund Builder, Inc.	905,570.87	2,409,841.15	(1,504,270.29)
PAMI Asia Balanced Fund, Inc.	2,530,405.63	411,829,834.12	(409,299,428.49)
Sun Life Prosperity Dollar Advantage Fund, Inc.	1,530,031,981.64	593,264,786.00	936,767,195.64

PABFI competes very well with all the other balanced funds given PAMI's financial muscle and distribution capabilities. PAMI's main distribution channel is the Philam Life agency force, which has over 8,000 agents. PAMI also leverages on the established corporate relationships of the Philam Group and AIA to tap the institutional investor segment. Another distribution channel is the direct sales channel which caters to the high net worth segment of the investing public.

Hence, based on the above discussion, we believe that the Fund will perform well in terms of both yield and sales.

PAMI is the investment manager of PABFI. As investment manager, PAMI is tasked to provide and render management and technical services to PABFI. PAMI has a sub-management agreement with Amundi Singapore Limited, a wholly-owned subsidiary of Amundi, which is the combined asset management arm of Cr dit Agricole S.A. and Soci t  G n rale. Established in 1989, Amundi Singapore is one of the investment centers of the Group. With over 20 years of experience in the region, Amundi Singapore is well-resourced and equipped to serve institutions (public institutions, pension funds, insurance companies, and corporates) and distributors in SE Asia.

PAMI also functions as the principal distributor of PABFI. As such, it takes charge of selling and distributing the PABFI shares to prospective investors. The Management and Distribution Agreement with PABFI defines the guidelines for the management of the resources and operations of PABFI. PAMI is wholly owned by Philippine American Life and General Insurance Company (Philam Life), an affiliate of American International Assurance (AIA).

The Custodial Agreement establishes the relationship between PABFI, PAMI and Citibank, N.A. as the custodian bank. The Custodial Agreement covers the custodian bank's duties on receipt of securities, identification and segregation of assets, registration of assets, reports and records to be accomplished by the custodian bank, custody of PABFI investments and fees of the custodian bank.

The transfer agent of PABFI is the Philam Asset Management, Inc. ("PAMI"). The primary responsibility of the transfer agent is the accurate record keeping of individual shareholdings and the issuance and cancellation of stock certificates.

The management fee to be charged by PAMI is a maximum of 2% per year. A sales load not exceeding 3% shall also be charged. Load arrangements can be negotiated with institutional investors on a case to-case basis.

## COMPLIANCE WITH REGULATIONS

### Investment Company Act of 1960

Investment companies are primarily regulated by Republic Act No. 2629, the Investment Company Act of 1960, and its implementing rules and regulations. Subject to exceptions under R.A. 2629, an investment company is any issuer which or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, or trading in securities. Investment companies may be either open-end or closed-end. An open-end company is an investment company that offers for sale, or has outstanding, any redeemable security of which it is the issuer. A closed-end company is any investment company other than an open-end company.

Investment companies must be organized as stock corporations and must comply with the requirements of the Corporation Code of the Philippines, as well as with the following additional requirements under R.A. 2629:

1. Minimum subscribed and paid-in capital of at least PhP50,000,000.00;
2. All members of the Board of Directors must be Filipino citizens;
3. All shares of its capital stock must be common and voting shares; and
4. In the case of open-end companies, the Articles of Incorporation shall provide for the waiver of pre-emptive rights of shareholders.

The Company has complied with the above requirements.

R.A. 2629 requires every investment company organized or created under Philippine laws to register by filing with the SEC a registration statement, which shall set forth such information that the SEC may require. Furthermore, any securities proposed to be issued and distributed or sold by the investment company must likewise be registered with the SEC.

For the protection of its investors, every registered investment company is required to place and maintain its securities and similar investments in the custody of a duly organized local commercial bank of good repute; or a company which is a member of a securities exchange as defined in the Securities Act (now the Securities Regulation Code), subject to such rules and regulations as the SEC may from time to time prescribe; or such registered company, but only in accordance with such rules and regulations or orders as the SEC may from time to time prescribe for the protection of investors.

Registered investment companies are subject to the reporting provisions of SRC Rule 17.1. Moreover, ICA Rule 35-1(i) requires the registered investment companies, within the first ten (10) days of every month, to submit to the SEC reports under oath executed on behalf of the investment companies by their Treasurer or any other officer, showing the following information:

1. Total amount received from the sale of shares;
2. Total amount of redemption;
3. Number of shares outstanding at the beginning of the month;
4. Number of shares sold during the month;
5. Number of shares redeemed during the month;
6. Number of shares outstanding at the end of the month; and
7. The percentage of the outstanding shares owned by Filipinos.

Investment companies are also required to file with the SEC such information and documents including financial statements as the SEC may require, on a semi-annual or quarterly basis, to keep reasonably current the information and documents contained in the registration

statements filed by the investment companies when they registered as investment companies as required under R.A. 2629.

### **Anti-Money Laundering Act**

SEC Memorandum Circular No. 2, Series of 2015, describes Money Laundering as “the processing of the proceeds of a crime to disguise their origin. It is a process intended to mask the benefits derived from serious offenses or criminal conduct as described under the Act, so that they appear to have originated from a legitimate source.” Money Laundering whether it be facilitating or assisting in such act is considered as a criminal offense.

PAMI strictly enforces its PAMI Anti-Money Laundering SOP and Guidelines, procedures and training. This is also in compliance with the laws and regulations under the Anti-Money Laundering Act.

PAMI Sales Representatives shall ascertain the identity of each client by performing their KYC (Know Your Customer). PAMI Sales Representative shall also obtain competent evidence of their client's identity and/or proof of source of funds by requiring the submission of certain documents as stated in the Anti-Money Laundering Guidelines prior to opening an account. Any additional subscriptions /top ups should also be in compliance of the said guidelines.

PAMI reserves the right to reject any application to purchase shares of the Fund if found to be non-compliant with the foregoing.

### **Foreign Account Tax Compliance Act (“FATCA”)**

The U.S. Foreign Account Tax Compliance Act (“FATCA”) has the objective of preventing tax evasion by U.S. persons by placing certain compliance and reporting obligations on Foreign Financial Institutions (“FFIs”) including mutual funds such as PAMI Asia Balanced Fund. If the Fund is found to be non-compliant it may be subject to a 30% withholding on U.S. source income or proceeds. As such, establishing and continually maintaining FATCA-compliant processes across all business functions is of critical importance to PAMI and the mutual funds it manages.

The requirements of FATCA are complex and requires FFIs such as PAMI Income Payout Fund to undertake due diligence to identify U.S. customers, report U.S. customers to the U.S. Inland Revenue Services (“IRS”) or the Philippines Bureau of Internal Revenue (“BIR”) together with customers who are unable or unwilling to confirm their corresponding U.S. status (recalcitrant customers) and in certain circumstances to withhold against or terminate accounts of recalcitrant customers. In line with this, PAMI strictly enforces its PAMI FATCA SOP and Guidelines, procedures and training.

Similarly, as an internal control, PAMI will not accept clients who are U.S. Citizens. However, PAMI will accept clients with U.S. Indicias provided that, together with the Customer Information Sheet or Subscription form, they submit the required FATCA documents.

PAMI reserves the right to reject any application to purchase shares of the Fund if found to be non-compliant with the foregoing.

### **Employees**

PABFI employs no personnel as it functions solely through its Fund Manager, PAMI.

### **Properties**

PABFI does not own any real or personal properties (such as real estate, plant and equipment, mines, patent, etc.). Neither does the Fund lease any property nor does it intend to acquire any real or personal properties within the next 12 months.

### **Legal Proceedings**

There is no pending litigation or arbitration proceedings where the Company is a party and no litigation or claim of material importance is known to the Directors of PABFI to be pending or threatened against the Company, since the time of its incorporation in February 10, 2009 up to the date of this prospectus.

## MARKET FOR ISSUER'S COMMON EQUITY & RELATED STOCKHOLDERS' MATTERS

### Market Information

#### Net Asset Value per Share per Quarter

QTR	YEAR		DATE	NAVPS	YEAR	DATE	NAVPS	YEAR	DATE	NAVPS
1	2014	LOW	6-Feb	0.9525	2015	7-Jan	0.9736	2016	22-Jan	0.8101
		HIGH	10-Mar	1.0044		27-Feb	1.0035		21-Mar	0.8932
2		LOW	1-Apr	0.9955		30-Jun	0.9782		25-May	0.8613
		HIGH	13-Jun	1.0289		29-Apr	1.0499		20-Apr	0.9062
3		LOW	30-Sep	0.9975		25-Aug	0.8488			
		HIGH	4-Sep	1.0594		2-Jul	0.9883			
4		LOW	18-Dec	0.9635		15-Dec	0.8645			
		HIGH	30-Oct	1.0058		27-Oct	0.9243			

### Holders

As of June 30, 2016, there were 285 holders of redeemable common stock (one class of shares only) totalling 18,148,016 shares. Following are the top 20 shareholders:

	Name	# of Shares	% to Total
1	CITICORP FINANCIAL SERVICES & INSURANCE BROKERAGE PHILS INC FAO CITIBANK NA	9,816,656	54.0922%
2	BPI-PHILAM LIFE ASSURANCE CORPORATION	2,093,353	11.5349%
3	PHILAM ASSET MANAGEMENT, INC.	1,538,462	8.4773%
4	FOODSPHERE, INC.	335,154	1.8468%
5	ORLINA, CARMENCITA TORIBIO	279,206	1.5385%
6	BACANI, SENEN C	218,221	1.2025%
7	CREUS, CELSA T	167,639	0.9237%
8	KAKIHARA, JIRO GONZALES	146,473	0.8071%
9	DEAN, MARIA TERESITA REYES	125,053	0.6891%
10	NAIDAS, LUCILLA MENDOZA	110,699	0.6100%
11	TAN, LOZANO A.	95,114	0.5241%
12	DY, SANTIAGO C.	93,013	0.5125%
13	CHUA, MILA MITRA	91,007	0.5015%
14	RCBC SAVINGS BANK TRUST SERVICES DIVISION TA#515-62-08662-9	69,006	0.3802%
15	BINDER, MICHAEL GEORGE	64,169	0.3536%
16	VILLANUEVA, MARLON MARASIGAN	52,073	0.2869%
17	MONTINOLA, AURELIO III REYES	51,477	0.2837%
18	DULAM, MEL-BRYANT LOMO	50,732	0.2795%
19	RCBC SAVINGS BANK TRUST SERVICES DIVISION 515-62-08731-5	50,441	0.2779%
20	TAN, MARGOT AISSA CHOA	47,529	0.2619%

## **Dividends**

The Company does not plan to declare cash dividends. Surplus profits of the Company (if any), will be used as additional proceeds to invest in eligible securities.

Under R.A. 2629, it shall be unlawful for any registered investment company to pay any dividend, or make any distribution in the nature of a dividend payment, wholly or partly from any source other than: (i) from the investment company's accumulated undistributed net income, determined in accordance with good accounting practice and including profits or losses realized upon the sale of securities or properties; or (ii) from the Fund's earned surplus so determined for the current or preceding fiscal year, unless such payment is accompanied by a written statement which adequately discloses the source or sources of such payment. The SEC may prescribe the form of such statement by rules or regulations or by order in the public interest and for the protection of investors. It shall also be unlawful to advertise such dividends in terms of centavos or pesos per share without also stating the percentage they bear to the par value per share.

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

### OPERATIONAL HIGHLIGHTS/TOP 5 PERFORMANCE INDICATORS

#### 1. Assets Under Management

*Interim Year for the Period Ending June 30, 2016*

The Fund's total assets decreased by only USD463 thousand or 2.63% from December 31, 2015 to June 30, 2016. This is attributable to the performance of Asian Market and client redemptions during the period ended June 30, 2016.

*Interim Year for the Period Ending March 31, 2016*

The Fund's Assets Under Management ("AUM") as of March 31, 2016 decreased by USD0.2 Million from December 31, 2015. This is brought about by the client redemptions while having less subscriptions during the quarter.

#### *Loans and Receivables<sup>1</sup>*

Loans and receivables 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 held for trading, designated as AFS or FVTPL. This accounting policy applies to cash in banks and loans and receivables.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in Interest income in profit or loss. The losses arising from impairment of such loans and receivables are recognized in Provision for impairment losses in profit or loss.

*FY 2015 vs. FY 2014*

PABF's AUM contracted by 16.6% from USD22.33 billion in 2014 to USD16.95 billion in 2015. This is due to continuous client redemption and performance of the Asian Market.

*FY 2014 vs. FY 2013*

The Fund's Assets Under Management deflated by 32.1% from USD 30.54 billion in 2013 to USD22.33 billion in 2014 mainly due to increased client redemption.

#### 2. Net Asset Value per Share per Quarter

Net Asset Value per Share ("NAVPS") is computed by dividing the net assets over the outstanding shares. It represents the current value of each outstanding share.

QTR	YEAR	DATE	NAVPS	YEAR	DATE	NAVPS	YEAR	DATE	NAVPS
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<sup>1</sup> Source: SEC Form F-17Q as of 31 March 2016, Note 2.3, page 14, paragraph 2. Form can be downloaded from [philamfunds.com](http://philamfunds.com)

1	2014	LOW	6-Feb	0.9525	2015	7-Jan	0.9736	2016	22-Jan	0.8101
		HIGH	10-Mar	1.0044		27-Feb	1.0035		21-Mar	0.8932
2		LOW	1-Apr	0.9955		30-Jun	0.9782		25-May	0.8613
		HIGH	13-Jun	1.0289		29-Apr	1.0499		20-Apr	0.9062
3		LOW	30-Sep	0.9975		25-Aug	0.8488			
		HIGH	4-Sep	1.0594		2-Jul	0.9883			
4		LOW	18-Dec	0.9635		15-Dec	0.8645			
		HIGH	30-Oct	1.0058		27-Oct	0.9243			

### 3. Sales and Redemption

The following table summarizes the performance of PABF (January to June 2016) in USD\*:

FUND NAME	SALES	REDEMPTIONS	NET SALES
PAMI Asia Balanced Fund, Inc.	7,707,261.90	48,942,956.82	(41,235,694.91)

\*Source: Philippine Investment Funds Association (PIFA); converted to USD using USD1:PHP47.06.

The following table summarizes the performance of PABF (January to December 2015) in USD\*:

FUND NAME	SALES	REDEMPTIONS	NET SALES
PAMI Asia Balanced Fund, Inc.	3,684,621.82	5,120,229.60	(1,435,607.78)

\*Source: Philippine Investment Funds Association (PIFA); converted to USD using USD1:PHP47.06.

The following table summarizes the performance of PABF (January to December 2014) in USD\*:

FUND NAME	SALES	REDEMPTIONS	NET SALES
PAMI Asia Balanced Fund, Inc.	2,530,405.63	411,829,834.12	(409,299,428.49)

\*Source: Philippine Investment Funds Association (PIFA); converted to USD using USD1:PHP47.16.

The entire PAMI sales force conducts regular visits to all its distribution channels (Philam Life Agencies, bank partners and third party distributors) and direct clients to better generate new, additional investments and contain redemptions.

### 4. Fund Performance Against Competitors

The following table summarizes a comparison of PABF against its competitors for January to June 2016 in USD\*:

FUND NAME	SALES	REDEMPTIONS	NET SALES
Cocolife Dollar Fund Builder, Inc.	1,148,832.60	329,173.32	819,659.29
PAMI Asia Balanced Fund, Inc.	7,707,261.90	48,942,956.82	(41,235,694.91)
Sun Life Prosperity Dollar Advantage Fund, Inc.	28,388,356.59	122,526,522.28	(94,138,165.69)
Sun Life Prosperity Dollar Wellspring Fund, Inc.	96,291,730.95	0.00	96,291,730.95

\*Source: Philippine Investment Funds Association (PIFA); converted to USD using USD1:PHP47.06.

The following table summarizes a comparison of PABF against its competitors for January to December 2015 in USD\*:

<b>FUND NAME</b>	<b>SALES</b>	<b>REDEMPTIONS</b>	<b>NET SALES</b>
Cocolife Dollar Fund Builder, Inc.	53,482.45	30,021.26	23,461.19
PAMI Asia Balanced Fund, Inc.	3,684,621.82	5,120,229.60	(1,435,607.78)
Sun Life Prosperity Dollar Advantage Fund, Inc.	2,683,419.83	15,819,694.39	(13,136,274.56)

*\*Source: Philippine Investment Funds Association (PIFA); converted to USD using USD1:PHP47.06.*

The following table summarizes a comparison of PABF against its competitors for January to December 2014 in USD\*:

<b>FUND NAME</b>	<b>SALES</b>	<b>REDEMPTIONS</b>	<b>NET SALES</b>
Cocolife Dollar Fund Builder, Inc.	19,306.49	51,377.06	(32,070.57)
PAMI Asia Balanced Fund, Inc.	53,947.46	8,780,083.87	(8,726,136.41)
Sun Life Prosperity Dollar Advantage Fund, Inc.	32,619,805.60	12,648,220.57	19,971,585.03

*\*Source: Philippine Investment Funds Association (PIFA); converted to USD using USD1:PHP47.16*

## **5. Fund Management & Environmental Analysis**

### **Fixed Income and Equities Market and Economic Review**

Financial market were in somewhat of a tailspin immediately post the “Leave” vote at the UK European Union referendum on 23 June 2016. The outcome shook investor confidence and saw global markets take a nosedive on 24 June 2016. Investors were seen fleeing to safety, with the US 10-year and 30-year yield declining to 1.4% and 2.3% respectively, while gold and quality US stocks rebounded. Emerging markets Asia, UK and European equities continued to stay depressed.

On the economic front, global growth is likely to stay subdued with domestic demand being one of the few remaining levers of growth for the Developed Markets. In EM Asia, China is showing signs of economic stabilisation. In the fixed income space, Asian hard currency bonds continued their rally for the year to end positively in June 2016. All countries were in positive territory, with Indonesia being the top performer.

The Fund had a neutral asset allocation position as of end June 2016. Prior to the Brexit vote, the fund manager adopted a more conservative risk profile – increased exposure to long dated government bonds. In line with the intention of reducing risk, positions in cyclical stocks in EM Asia were further trimmed.

### **Fixed Income and Equities Outlook**

Moving forward, the Fund would continue to look for defensive and low beta credits such as those in telecommunications, utilities and insurance sectors.

Given the view that global central banks are likely to stay accommodative, the Fund will keep its bond duration profile extended in the near term. There would be biasness toward high quality Investment Grade credits and selected bank capital debt.

In the equity markets, the Fund would maintain its focus on quality stocks whose longer term growth drivers and valuation are insulated from the EU referendum and more dependent on local, stock specific merits. There may be a short term bias to selected blue chips in EM Asia to weather near term volatility.

## FINANCIAL HIGHLIGHTS

### Income

#### *Interim Year for the Period Ending June 30, 2016*

PABF ended the first half of 2016 with a net investment income of USD76 thousand due to the performance of the Asian market in the current year where the Fund's securities are invested and the fluctuations in foreign exchange rates as compared to USD109 thousand for the same period in 2015.

Earnings Per Share (EPS) as of June 30, 2016 was at USD0.0004, dropping by USD0.006 from the EPS reported the previous year, June 30, 2015.

#### *Interim Year for the Period Ending March 31, 2016*

The Fund reported net income of USD0.2 million and USD0.3 million for the quarter ended March 31, 2016 and March 31, 2015, respectively, due to the movement in variable expenses.

Earnings per Share (EPS) as of March 31, 2016 was at USD0.01, which is half of the EPS posted on March 31, 2015.

#### *FY 2015 vs. FY 2014*

Net investment income of the Fund amounted to USD1.9 million for the period ended December 31, 2015, a USD2.4 million increase from December 31, 2014's USD0.53 million net investment loss.

Earnings Per Share (EPS) as of December 31, 2015 was USD0.10, a USD0.12 improvement from the EPS as of December 31, 2014.

#### *FY 2014 vs. FY 2013*

Net loss for 2014 was USD0.53 million. This figure amounted to a USD0.09 million decrease from the previous year's loss of USD0.44 million.

Loss Per Share increased to USD0.02 in 2014. A USD0.01 decrease from 2013's Loss Per Share of USD0.01.

### Net Assets and Net Asset Value Per Share

#### *Interim Year for the Period Ending June 30, 2016*

The Fund's net assets as of June 30, 2016 decreased by USD1.1 million from December 31, 2015. This is brought about by the client redemptions while having less subscriptions during the quarter.

NAVPS on June 30, 2016 was at USD0.8897, which diminished by 1.65% from the NAVPS on December 31, 2015 at USD0.9046.

#### *Interim Year for the Period Ending March 31, 2016*

PABF's net assets decreased by only USD22 thousand or 0.13% from December 31, 2015 to March 31, 2016. This is attributable to the performance of the Asian Market and client redemptions during the period ended March 31, 2016.

NAVPS on March 31, 2016 was at USD0.8963, signifying a drop of USD0.0083 from the same period ending December 31, 2015, which posted a NAVPS of USD0.9046.

#### *FY 2015 vs. FY 2014*

The net assets of the Fund decreased by USD1.59 million from December 31, 2014 to December 31, 2015. This is brought about by client redemptions and a decrease in subscriptions during the period.

NAVPS on December 31, 2015 was at USD0.9046, a decrease of USD0.0697 from the NAVPS of December 31, 2014.

#### *FY 2014 vs. FY 2013*

Net assets for 2014 was USD20.73 million, a 32% decrease from 2013's USD30.54 million.

NAVPS on December 31, 2014 was at USD0.9743, a 2% decrease from the previous year's USD0.9935.

### **Liquidity and Other Issues**

There are no demands, commitments, events or uncertainties which will impair the liquidity of the Fund. The Fund is mandated by SEC, through the Investment Company Act, to maintain at least 10% of its net assets to be invested at liquid assets (ICA Rule 35 – 1 p. d4). There are no events that triggered direct or contingent financial obligations that are material to the Fund.

### **CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANT ON ACCOUNTING AND FINANCIAL DISCLOSURES**

There are no changes in and disagreements with Isla Lipana on accounting and financial disclosures.

### **CORPORATE GOVERNANCE**

The evaluation system adopted by PABF to determine the level of compliance of the Board and top level management with its Manual of Corporate Governance is based primarily on the SEC Corporate Governance Self-Rating Form (CG-SRF).

PABF has undertaken the following measures to fully comply with the adopted leading practices on good corporate governance:

- Consider changes, improvements, or additions to current corporate disclosure procedures
- Implement processes for identifying items where timely corporate disclosure is necessary

Except for the required changes mandated by SEC, PABF has no material deviations from its Manual of Corporate Governance since it filed its CG-SRF with the SEC on January 5, 2012.

Apart from the foregoing changes or improvements being considered for corporate disclosures, there are no plans to improve the current corporate governance of PABF.

#### Other Disclosures

- There were no disagreements with the former accountant, on any matter of accounting any financial disclosure.
- There were no known trends, events or uncertainties with material impact on liquidity and sales. Neither were there events that would trigger direct or contingent financial obligations that are material to the Fund, including any default or acceleration of an obligation.
- There were no material off-balance sheet transactions, arrangements or obligations (including contingent obligations) and other relationships of the Fund with unconsolidated entities or other persons created during the reporting period.
- There were no material commitments for capital expenditures. , The realized and unrealized gains on stock and fixed income investments brought by market appreciation represent the significant element of income from continuing operations.

## PABFI DIRECTORS AND EXECUTIVE OFFICERS

Incorporated on July 3, 2012, PABFI incorporators are, as follows:

Jose L. Cuisia, Jr.  
 Karen Liza M. Roa  
 Omar T. Cruz  
 Reynaldo C. Centeno  
 Victor A. Lim  
 Francisco M. Ortigas III

As of the date of this Prospectus, the Board of Directors and Executive Officers of PABF are the following:

Name	Age	Citizenship	Position	Term of Office	Years of Service
Roberto F. De Ocampo	70	Filipino	Chairman	2016 - 2017	8 Years
Reynaldo G. Geronimo	71	Filipino	President	2016 - 2017	5 Years
Arleen May S. Guevara	54	Filipino	Director	2016 - 2017	5 Years
Ferdinand L. Berba	58	Filipino	Director	2016 - 2017	2 Years
Elenita G. Villamar	53	Filipino	Director and Treasurer	2016 - 2017	2 Years
Armand F. Braun, Jr.	78	Filipino	Independent Director	2016 - 2017	8 Years
Meliton B. Salazar, Jr.	50	Filipino	Independent Director	2016 - 2017	2 Years
Jose Ivan T. Justiniano	57	Filipino	Compliance Officer	2016 - 2017	< 1 Year
Ma. Adelina S. Gatdula	53	Filipino	Corporate Secretary	2016 - 2017	< 1 Year
Charles Albert R. Lejano	31	Filipino	Asst. Corporate Secretary	2016 - 2017	< 1 Year

### **ROBERTO F. DE OCAMPO**

Chairman

Dr. De Ocampo is a Cum Laude graduate with a Bachelor of Arts degree in Economics from the Ateneo de Manila University. He has a Master's degree in Business Administration from the University of Michigan and a post-graduate diploma from the London School of Economics. He has also been conferred three Doctorates (Honoris Causas). Since 2008, Mr. De Ocampo is Chairman of the Board of the following PAMI-managed funds: Philam Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc. (each since 2005), PAMI Global Bond Fund, Inc. (since 2008), PAMI Horizon Fund, Inc. (since 2011), and PAMI Equity Index Fund, Inc. (since 2014). Dr. De Ocampo was previously the President of the Asian Institute of Management. From 1992 to 1998, he served as the Secretary of Finance under the Ramos administration and was widely recognized as the principal architect of the resurgence of the Philippine economy. He was the first Filipino and the first ASEAN finance minister to be recognized and was cited as the "Finance Minister of the Year" in 1996 by Euromoney. He was conferred the Legion of Honor in 1998, the highest honor conferred on Filipino civilians by the Philippine government and was conferred the Ordre National de la Legion d' Honneur by the Republic of France with the rank of Chevalier.

**REYNALDO G. GERONIMO**

President

Atty. Geronimo is a Cum Laude graduate of Bachelor of Arts (A.B.) at the Ateneo de Manila University. He graduated Second Honors from Ateneo Law School in 1968. He also has a Master of Laws with specialization in Trusts and Estates from the University of Pennsylvania. He is currently a partner in the Romulo Mabanta Buenaventura Sayoc & de los Angeles Law Firm and a co-Chairman of the Banking Group. Atty. Geronimo is known as the Trust Guru, with a regular column in the Manila Standard Today. He is also a bar reviewer in Taxation at the UP Law Center, the UP College of Law, the Law School of UST's Civil Law Faculty, the College of Law of Liceo de Cagayan, and the Ateneo Law School. Atty. Geronimo is President and Director of the following PAMI-managed funds since 2010: Philam Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc., PAMI Global Bond Fund Philippines, Inc., PAMI Horizon Fund Inc., and PAMI Equity Index Fund, Inc. (since 2014).

**ARLEEN MAY S. GUEVARA**

Director

Ms. Guevara is the Senior Vice President and Chief Investment Officer of Philamlife and is currently a Director of PAMI. Ms. Guevara was the PAMI Chairman from 2011-2013. Since 2012, Ms. Guevara has been the director of Philam Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc., PAMI Global Bond Fund Philippines, Inc., PAMI Horizon Fund Inc., and PAMI Equity Index Fund, Inc. She is also a director (since 2008) at the following - Science Park of the Phils., Inc., Manila Exposition Complex, Inc., Beacon Property Ventures, Inc., Regatta Properties, Inc., and Cebu Light Industrial Park, Inc. Prior to joining Philamlife, she was Deputy Director of the Treasury Department of the Bangko Sentral ng Pilipinas. Ms. Guevara is a Magna Cum Laude graduate of Bachelor of Science in Applied Mathematics from the University of the Philippines. She holds a Master of Policy Science from the Saitama University, Japan under a Monbusho (Japan Ministry of Education) scholarship and has completed Academic units towards a Masters in Economics at the De La Salle University, Manila.

**FERDINAND L. BERBA**

Director

Mr. Berba is the incumbent Chief Executive Officer of Philam Asset Management, Inc. He has more than 23 years of experience in the insurance industry. He held various senior roles in Philam Life including Director of Philam Financial Advisory Services and Group Training Director (2003-2008). Previously, he was Director of Agency Development, Director of Client Services, and President of Sun Life Financial Plans (1990-2003). Mr. Berba also worked in other insurance companies such as Pioneer Life and Pioneer Group (2008-2014) and Great Pacific Life Assurance Corporation (1980-1982). He holds an AB Psychology degree from De La Salle University. Since August 2014, Mr. Berba has been a Director of the following PAMI-managed Funds: Philam Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc., PAMI Global Bond Fund Philippines, Inc., PAMI Asia Balanced Fund Inc., PAMI Horizon Fund Inc., and PAMI Equity Index Fund, Inc.

**ELENITA G. VILLAMAR**

Director and Treasurer

Ms. Villamar is the Head of Finance for Philam Asset Management, Inc. (PAMI). As PAMI's Head of Finance, she is responsible for developing financial strategies and its related performance metrics, ensuring adequate and effective financial control measures, and managing capital requirements and budget process. She has been with Philam Life for 30 years and has occupied various senior positions within the company. Prior to joining Philam Life, she worked for SGV & Co. Ms. Villamar is a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants. She is a Fellow with distinction at the Life Management Institute. She has also completed various certification courses like the Advanced Life Insurance Course and the Trust Operations and Investment Management Course. She was a National State Scholar and received her Bachelor's degree in Commerce, Accountancy from the University of Santo Tomas, graduating cum laude. Since 2014, Ms. Villamar has been a Director of the following PAMI-managed Funds: Philam Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc., PAMI Global Bond Fund Philippines, Inc., PAMI Asia Balanced Fund Inc., PAMI Horizon Fund Inc., and PAMI Equity Index Fund, Inc.

**ARMAND F. BRAUN, JR.**

Independent Director

Mr. Armand Braun, Jr. is a graduate of the Ateneo de Manila University where he earned a degree of Bachelor of Science in Business Administration. He also took an Advance Management Program for Overseas Bankers at the Wharton School in Philadelphia, USA. He is an Independent Director of the following: Philam Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc. (each since 1998), Philam Managed Income Fund, Inc. (since 2005), and PAMI Global Bond Fund, Inc. (since 2008), PAMI Horizon Fund, Inc. (since 2011), and PAMI Equity Index Fund, Inc. (each since 2009). Mr. Braun also sits on the board of various other companies: AFBraun & Co. Holdings (1995 – present), A-1 Microfinance, Inc. (2002 – present), Iligan Pizza Corp. (1999 – present), North Iligan Foods Corp. (2004 – present), and Al-Rose Foods Corp. (1999 – present). Also, Mr. Braun was an independent director of Union Bank of the Philippines (2003 – May 2014).

**MELITON B. SALAZAR, JR.**

Independent Director

Mr. Salazar has a Ph.D. in International Relations, Major in International Development and Development Management from the School of International Service, The American University, Washington, D.C.; an M.A. in International Political Economy and Development from Fordham University, New York and a B.S. Management Engineering degree from the Ateneo de Manila University. Dr. Salazar is an established figure in the academe being currently the president of the following: University of Iloilo, Iloilo City (since 2009), University of Pangasinan (since 2009 to present), Cagayan de Oro College (since 2005), and Araullo University (since 2004). Dr. Salazar is also Senior Vice President of PHINMA Education Network (since 2003). Among Dr. Salazar's previous positions were President & CEO, STI International (2002 to 2003), President & CEO, iAcademy (2002 to 2003), President & CEO, Systems Technology Institute, Inc. (2001 to 2002) and COO of Systems Technology Institute, Inc. (2000 to 2001). Since November 2013, Mr. Salazar has been Director of the following PAMI-managed mutual funds - Philam Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc., PAMI Global Bond Fund Philippines, Inc., PAMI Horizon Fund Inc., and PAMI Equity Index Fund, Inc.

**JOSE IVAN T. JUSTINIANO**

Compliance Officer

Mr. Justiniano is currently the Head of Compliance of PhilamLife. He has over 15 years of senior management experience in compliance, governance and risk management. He held various compliance roles in PRU Life U.K., PNO-Exploration Corporation and Sun Life Financial Plans. Mr. Justiniano is a Certified Public Accountant with a Bachelor of Science degree in Accounting from San Beda College. He has an M.A. in Business Administration from De La Salle University; and holds several certifications in the financial services industry. Mr. Justiniano has been the Compliance Officer since October 2015 of the following PAMI-managed Funds: Philam Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc., PAMI Global Bond Fund Philippines, Inc., PAMI Asia Balanced Fund Inc., PAMI Horizon Fund Inc., and PAMI Equity Index Fund, Inc.

### **MARIA ADELINA S. GATDULA**

Corporate Secretary

Atty. Gatdula has been a Partner in Picazo Buyco Tan Fider & Santos Law Office since July 1995. She joined the said law office in September 1989. Prior thereto, she worked as a Confidential Attorney of Justice Irene R. Cortes in the Supreme Court. Atty. Gatdula obtained her Bachelor of Laws from the University of the Philippines in 1987, and Bachelor of Arts in Economics (cum laude) also from the same university in November 1982. She represents private companies engaged in real estate development and services, outsource business processing, software development, finance, investment, insurance and insurance brokerage and consultancy, manufacturing and trading, and radio broadcasting, in a wide array of corporate and financial matters, and various condominium corporations and non-government religious and charitable organizations. Atty. Gatdula has served as Corporate Secretary since October 2015 of the following PAMI-managed Funds: Philam Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc., PAMI Global Bond Fund Philippines, Inc., PAMI Asia Balanced Fund Inc., PAMI Horizon Fund Inc., and PAMI Equity Index Fund, Inc.

### **CHARLES ALBERT R. LEJANO**

Assistant Corporate Secretary

Atty. Lejano joined Picazo Buyco Tan Fider & Santos Law Office in February 2011. He obtained his Juris Doctor from the University of the Philippines in 2010 and Bachelor of Arts in Management Economics from the Ateneo de Manila University in 2006. He represents various private corporations in litigation and corporate matters, including car manufacturing, telecommunications, and broadcast media companies. Atty. Lejano is also a licensed real estate broker. Atty. Lejano has served as Assistant Corporate Secretary since October 2015 of the following PAMI-managed Funds: Philam Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc., PAMI Global Bond Fund Philippines, Inc., PAMI Asia Balanced Fund Inc., PAMI Horizon Fund Inc., and PAMI Equity Index Fund, Inc.

### **Significant Employee**

There is no significant employee who is expected by the Company to make a significant contribution to the business.

### **Family Relationships**

None of the Company's Directors and Executive Officers is related to each other up to the fourth civil degree of consanguinity or affinity.

## **Involvement in Certain Legal Proceedings**

To the best of the Company's knowledge, there has been no occurrence since the time of its incorporation on February 10, 2009 up to the date of this Prospectus of any of the following events that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer or controlling person of the Company:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
4. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

## **Executive Compensation**

The Fund pays its directors a per diem of Php7,500 for every Board Meeting. The Fund estimates total aggregate per diems of Php187,500 for the year 2016.

There are no other arrangements between the Fund and each of the Directors, pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director, including any additional amounts payable for committee participation or special assignments, for the last completed fiscal year and the ensuing year. Neither are there arrangements, including consulting contracts, pursuant to which any director of the Company was compensated, or is to be compensated directly or indirectly, since incorporation, for any service.

## **Directors' Compensation**

The Fund does not have any executive under its employ and therefore does not pay any executive compensation. For every board meeting attended by each Director, he will receive a per diem of Php7,500.00.

Information as to the aggregate compensation paid or accrued during the current fiscal year and the preceding two fiscal years to the PABF Board of Directors is, as follows:

<b>Payment Period</b>	<b>Aggregate Amount Received (in Php)</b>
2014	Php91,309
2015	Php91,418
2016 (estimated)	Php187,500

### **Employment Contracts and Termination of Employment and Change-In-Control Arrangements**

None of the Executive Officers have employment contracts with the Company.

There are no arrangements that exist which could result in a change in control of the Company.

### **Warrants and Options Outstanding**

As of the date of this Prospectus, none of the Company's common shares are subject to outstanding options or warrants to purchase, or securities convertible into common shares of the Company.

### Security Ownership of Certain Record and Beneficial Owners (as of June 30, 2016)

Prior to the offer, and after the increase in the number of common shares, the following shareholders are the only owners of more than 5.0% of the Company's voting capital stock, whether directly or indirectly, as record owner or beneficial owner:

TITLE OF CLASS	NAME AND ADDRESS OF RECORD OWNER AND RELATIONSHIP WITH ISSUER	NAME OF BENEFICIAL OWNER & RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NO OF SHARES HELD AND OUTSTANDING	PERCENT OF CLASS
Common	CITICORP FINANCIAL SERVICES & INSURANCE BROKERAGE PHILS INC FAO CITIBANK NA 10th Floor, Citibank Square Building 1 Eastwood Avenue, Eastwood City Barangay Bagumbayan, Quezon City No relationship with Issuer.	CITI BANK NA <sup>1</sup>	FILIPINO	9,816,656	54.0922%
Common	BPI-PHILAM LIFE ASSURANCE CORPORATION 15/F AYALA LIFE-FGU CENTER 6811 Ayala Avenue Makati City The Record Owner is an affiliate company of the Issuer/Fund Manager under the AIA Group.	BPI-PHILAM LIFE ASSURANCE CORPORATION <sup>2</sup>	Filipino	2,093,353	11.5349%
Common	PHILAM ASSET MANAGEMENT, INC. 17/F Net Lima Bldg., 5th Ave. cor. 26th St., Bonifacio Global City, Taguig Philam Asset Management, Inc. is fund manager, distributor, company adviser and the provider of the initial capital of the fund.	PHILAM ASSET MANAGEMENT, INC. <sup>3</sup>	Filipino	1,538,462	8.4773%

### Security Ownership of Management (as of June 30, 2016)

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
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<sup>1</sup> Citicorp Financial Services and Insurance Brokerage Philippines, Inc. (CFSI) is represented by its President, Mr. Ser Lester A. Cruz, effective January 1, 2016.

<sup>2</sup> BPI-Philam Life Assurance Corporation (BPLAC) is represented by its Chief Executive Officer, Surendra Menon.

<sup>3</sup> Philam Asset Management, Inc. (PAMI) is represented by its President & Chief Executive Officer, Ferdinand L. Berba.

Common	Roberto F. De Ocampo Eugenio Lopez Foundation Bldg., Col. Joseph R. McMicking Campus, 123 Paseo de Roxas, Makati City (Chairman)	1	(R)	Filipino	0.000006%
Common	Reynaldo G. Geronimo No. 5 Zinia St., Valle Verde 2, Pasig City (President)	1	(R)	Filipino	0.000006%
Common	Arleen May S. Guevara 17/F Net Lima Bldg., 5th Ave. cor. 26th St., Bonifacio Global City, Taguig (Director)	2,730	(R)	Filipino	0.0150%
Common	Ferdinand L. Berba 17/F Net Lima Bldg., 5th Ave. cor. 26th St., Bonifacio Global City, Taguig (Director)	1	(R)	Filipino	0.000006%
Common	Elenita D.G. Villamar 17/F Net Lima Bldg., 5th Ave. cor. 26th St., Bonifacio Global City, Taguig (Treasurer)	1	(R)	Filipino	0.000006%
Common	Armand F. Braun, Jr. No. 45 Magdalena Circle , Magallanes Village, Makati City (Independent Director)	1	(R)	Filipino	0.000006%
Common	Meliton B. Salazar, Jr. No. 28 Hunt Street, Filinvest East, Quezon City (Independent Director)	1	(R)	Filipino	0.000006%
Common	Ma. Adelina S. Gatdula Penthouse Liberty Center 104HV De La Costa St Salcedo Village Makati City (Corporate Secretary)	0		0	0.00%
Common	Charles Albert R. Lejano Penthouse Liberty Center 104HV De La Costa St Salcedo Village Makati City (Assistant Corporate Secretary)	0		0	0.00%
Common	J. Ivan Justiniano 17/F Net Lima Bldg., 5th Ave. cor. 26th St., Bonifacio Global City, Taguig (Compliance Officer)	0		0	0.00%

TOTAL	2,736		0.0151%
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### **Voting Trust**

The Company knows of no persons holding more than 5.0% of its shares under a voting trust or similar agreement which may result in a change in control of the Company.

### **Change of Control**

No change in control of PABF occurred since the beginning of its last fiscal year.

### **Certain Relationships and Related Transactions**

During the last two years, there are no transactions - either proposed or series of similar transactions – with or involving the company in which a director, executive officer, or stockholder owning ten percent (10%) or more of total outstanding shares and members of their immediate family had or is to have a direct or indirect material interest.

## **PARTIES INVOLVED IN THE FUND**

### **THE FUND MANAGER PHILAM ASSET MANAGEMENT, INC.**

Philam Asset Management, Inc. (PAMI) is an asset management company that resulted from a strategic partnership between Philippine American Life & General Insurance Company and AIG Asset Management, Inc. PAMI was established in 1992 to take advantage of the improved business climate and expected recovery of the economy.

### **INVESTMENT MANAGER AND PRINCIPAL DISTRIBUTOR**

PAMI is the investment manager of PABFI. As investment manager, PAMI is tasked to provide and render management and technical services to PABFI. PAMI also functions as the principal distributor of PABFI. As such, it takes charge of sales and distribution of the PABFI shares to prospective investors. Through its Management and Distribution Agreement with PABFI, the guidelines for the management of the resources and operations of PABFI by PAMI are set.

PAMI is wholly-owned by Philippine American Life Insurance Company (Philam Life) and an affiliate of AIA Ltd. Philam Life, which started in 1947, is the country's largest and most diversified insurance company and the market leader for over half a century. It is a wholly owned subsidiary of AIA. At present, PAMI manages and distributes eight other investment companies, namely: PAMI Equity Index Fund, Inc., PAMI Global Bond Fund Philippines, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc. and PAMI Horizon Fund, Inc. (formerly GSIS Mutual Fund, Inc.).

The management fee to be charged by PAMI is a maximum of 2% per year. The 2% per year Management Fee to be paid to PAMI already includes the fees/charges for the Investment Management services to be performed by Amundi Singapore, Ltd. A sales load not exceeding

3% shall also be charged. Load arrangements can be negotiated with institutional investors on a case-to-case basis.

In addition, PAMI shall be entitled to a performance fee subject to the High Water Marking. This performance fee shall be on the positive outperformance of the Fund as determined by computing the increase in the current net asset value per share less the High Water Mark or the Fund's benchmark rate, whichever is higher. The High Water Mark is based on the highest net asset value per share generated by the Fund in the prior periods starting from the time the Fund is launched. PAMI shall be entitled to one-tenth (1/10) of the positive outperformance, if any, multiplied by the average daily number of shares outstanding of the Fund for such year.

## **PAMI Board of Directors**

### **J. Axel Bromley**

Chairman of the Board

J. Axel Bromley is the Chief Executive Officer of Philam Life. He has over 20 years of experience in the international arena. He joined AIG Life, ALICO in 2002 and has held various roles working in South and Central America, the Middle East, the Indian Sub-Continent and Eastern and Central Europe. He is a three-time Country/General Manager for ALICO and later MetLife International. Prior to the election, Mr. Bromley was Director of Strategic Initiatives at AIA Group. Mr. Bromley holds two Masters' degrees - an MBA in Marketing from the Arizona State University and a Master's degree in International Management from the American Graduate School of International Management in Arizona. He speaks seven languages. His exposure in a two-year volunteer mission for the Church of Jesus Christ of Latter-day Saints enabled him to work with more than 20 different nationalities.

### **Ferdinand L. Berba**

President and Chief Executive Officer

Mr. Ferdinand Berba is the President and Chief Executive Officer of Philam Asset Management, Inc. He has more than 23 years of experience in the insurance industry. He held various senior roles in Philam Life including Director of Philam Financial Advisory Services and Group Training Director. Previously, he was Director of Agency Development, Director of Client Services, and President of Sun Life Financial Plans. Mr. Berba also worked in other insurance companies such as Pioneer Life and Pioneer Group and Great Pacific Life Assurance Corporation. He holds an AB Psychology degree from De La Salle University.

### **Gerard Raymond M. Carioso**

Director

Mr. Carioso is Senior Vice President and Head of Corporate Solutions Resources of Philam Life and has been with the company since 2010. Prior to his position at Philam Life, Mr. Carioso was Managing Director of Mercer Philippines, Inc. from 2007 to 2009 and President of Via Sacra, Inc. from 2005 to 2007. Mr. Carioso was also a Director and Regional HR Head – Asia for Cemex Philippines (Cemex SA De CV) from 1997 to 2005. Prior to his stint at Cemex, Mr. Carioso was Vice President – HR for Rockwell Land Corporation. Mr. Carioso obtained his Bachelor of Arts degree, Major in Psychology from De La Salle University and he holds a Masters in Industrial Relations Major in Human Resource Development from the University of the Philippines.

**Arleen May S. Guevara**

Director

Ms. Guevara is the Senior Vice President and Chief Investment Officer of Philam Life. She is also a director at the following companies - Science Park of the Phils., Inc., Manila Exposition Complex, Inc., Beacon Property Ventures, Inc., Regatta Properties, Inc., and Cebu Light Industrial Park, Inc. Prior to joining Philam Life, she was Deputy Director of the Treasury Department of the Bangko Sentral ng Pilipinas. Ms. Guevara is a magna cum laude graduate of Bachelor of Science in Applied Mathematics from the University of the Philippines. She holds a Master of Policy Science from the Saitama University, Japan under a Monbusho (Japan Ministry of Education) scholarship and has completed Academic units towards a Masters in Economics at the De La Salle University, Manila.

**Ling Chi Kevin Ng**

Director

Mr. Ng holds a degree in Bachelor of Information Technology (Economics) from the Australian National University and completed his MSc in International Management and MSc in Financial Economics from the University of London. He is likewise a Chartered Financial Analyst. He is currently the Vice-President, Head of Asset Allocation Advisory of AIA. He was formerly the Vice-President for Wealth Management Products, Asia at ABNAMRO Bank, where he set up a regional investment advisory platform and a structured product development platform for all ABN AMRO branches in Asia.

**Edgardo A. Grau**

Independent Director

Mr. Grau is a graduate of the De La Salle University with a degree in Bachelor of Science in Mechanical Engineering and graduated with an MBA degree, major in Industrial Management at Wharton Graduate School, University of Pennsylvania. He was previously the Executive Vice-President and Chief Investment Officer of Philamlife. Mr. Grau also held positions at Meralco's Technical Services Group as Assistant Vice-President, Philippine Commercial International Bank as Vice-President, Atlantic Gulf & Pacific Company of Manila, Inc. as Executive Vice-President & Chief Operating Officer, Magellan Capital Holdings Corporation as Senior Vice-President and Chief Financial Officer, and Philippine Asia Equity Securities, Inc. as Senior Vice-President for Investment Banking.

**Javier J. Calero**

Independent Director

Mr. Calero was previously Senior Adviser for the International Foundation for Elections Systems based in Washington D.C. which is currently working on strengthening national and provincial legislative governance in Pakistan. He was also the Chairman of the Zenith Optimedia and ZMG Signium Ward Howell, an executive development Search Firm. He was involved in the Indonesian presidential elections in 1999, where he became part of the post-election program funded by the United States Agency for International Development. He was then President and Chief Executive Office of J. Walter Thompson, Philippines. He was thereafter promoted as its Regional Director in countries like Sri Lanka, Malaysia, Indonesia, and Singapore where he was responsible in ensuring the profitability of the said countries. He currently serves as a director in various organizations, such as the Institute of Corporate Directors, Philippine Band of Mercy, Asian Institute for Journalism and Communication,

Dearborn Motors-Ford Dealership, Performance Auto Motors Group, Inc. and World Association of Psychosocial Rehabilitation. He is also a Trustee and Vice Chairman of the University of Asia and the Pacific.

**CITIBANK, N.A.**

**CUSTODIAN BANK**

The Custodial Agreement establishes the relationship among PABF, PAMI, and Citibank, N.A. ("CTI") as the custodian bank. The Custodial Agreement covers the custodian bank's duties on receipt of securities, identification and segregation of assets, registration of assets, reports and records to be accomplished by the custodian bank, custody of PABF investments and fees of the custodian bank. The custodian bank is entitled to a custodianship fee amounting to 0.12% per annum based on the market value of the portfolio at the end of each month. Furthermore, transaction charges (for receipt, delivery, payment, stock rights, income collection) of PHP500.00 per transaction will likewise be charged by the custodian bank.

Address: Citibank Tower, 8741 Paseo de Roxas, Makati City Tel No.: 894-7921

**PHILAM ASSET MANAGEMENT, INC.**

**TRANSFER AGENT**

Philam Asset Management, Inc. (PAMI) serves as the Stock Transfer agent of PABF.

Address: 17th Floor Net Lima Building, 5th Avenue Corner 26th Street

BONIFACIO GLOBAL CITY, TAGUIG 1634

Telephone Numbers: (632) 5216300

Fax Numbers: (632) 5285093

**PICAZO BUYCO TAN FIDER & SANTOS**

**LEGAL COUNSEL**

Picazo Buyco Tan Fider & Santos serves as the legal counsel for the Fund.

Address: Penthouse, Liberty Center, 104 H.V. Dela Costa St., Salcedo Village, Makati City

Tel No.: (632) 888-0999 ; 888-0311

**ISLA LIPANA AND CO.**

**EXTERNAL AUDITOR**

The accounting firm of Isla Lipana & Co. (Isla Lipana) has been retained by the Company as its external auditor.

Address: 29<sup>th</sup> Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City

Tel No.: (632) 845 2728; Fax: (632) 845 2806

**Scope of Service**

Isla Lipana's professional service for PSGF is limited only to the regular annual audit report.

**Fees**

The following are the aggregate fees billed by the external auditors for each of the last two calendar years (in Php):

<b>Year</b>	<b>Amount</b>
2014	USD90,000

2015	USD55,000*
<b>Total</b>	<b>USD235,000</b>

\*under negotiation

Note:

- No tax fees were paid since there were no professional services rendered by Isla Lipana for tax accounting compliance, advice, planning and any other form of tax service.
- Similarly, no other fees were paid for products and services provided by Isla Lipana other than the regular annual audit report.

#### **DIRECT OR INDIRECT INTEREST OF EXTERNAL AUDITOR AND INDEPENDENT COUNSEL**

Isla Lipana & Picazo Law, PABFI External Auditor Legal Counsel, respectively, have not been retained on a contingency basis. Both will not receive any direct or indirect interest in the Fund pursuant to or in connection with the offer.

With the exception of Picazo Law Attys. Maria Adelina S. Gatdula and Charles Albert R. Lejano, PABFI Corporate Secretary and Assistant Corporate Secretary, respectively, Picazo Law has not acted or will not act as promoter, voting trustee, officer or employee of the Company.

## **MATERIAL CONTRACTS AND AGREEMENTS**

The following is a summary of the material contracts and agreements relating to the Fund:

### **Management and Distribution Agreement**

Under this Agreement, Philam Asset Management, Inc. ("PAMI") was engaged by PABFI to act as the Fund Manager.

The services to be rendered by PAMI under the Fund Management Agreement include the following:

1. Investment and re-investment of the assets of PABFI;
2. Preparation of reports, circulars, notices and other information on internal corporate affairs as may be required by PABFI, its stockholders or its Board of Directors, including monthly reports on:
  - a. revenues and disbursements broken down as investments and expenses,
  - b. sales and redemption, and
  - c. performance of PABFI's investment portfolio and changes in the net asset value of the Fund;
3. Preparation and submission of such reports that the SEC may require;
4. Registration and/or transfer of all investments made and/or held by PAMI under the Fund Management Agreement in PABFI's name, or its nominee, or to retain the investments unregistered or in any form permitting transferability by delivery, but the books and records of PAMI should at all times show that all such investments belong to PABFI;
5. Procurement of any and all licenses, permits and authorizations in making, holding and disposing of the investments as well as the distribution of PABFI's capital stock;
6. Transactions with stockbrokers for the account of PABFI in connection with PAMI's investment and re-investment of PABFI's assets; and
7. Execution of any and all acts necessary to collect or realize any securities or investments, in the event of default.

In purchasing and selling securities or otherwise making or disposing of investments for the account of the Fund, PAMI may act without need of prior approval or notification from PABFI, provided that it acts within the limits of the investment policies and guidelines prescribed by PABFI's Board of Directors and subject to the provisions of the ICA and the registration statements of PABFI.

The Certificates and other evidence of title to assets in the investment portfolio of the Fund shall be under the custody of the designated Custodian. However, PAMI may, either directly or through the Custodian, take charge of the collection of interests or other payments on all securities owned by the Fund, and shall exercise any and all rights of the Fund pertaining to such securities.

PAMI also acts as the principal distributor of the capital stock of PABFI. PAMI shall use its best efforts to sell PABFI stock, and it is agreed that PAMI does not undertake to buy or sell any or any specific portion of the capital stock of the Fund.

The initial term of the Fund Management Agreement is two years, after which the agreement shall continue in effect from year to year, provided that the continuation

shall be specifically approved at least annually by PABFI's Board of Directors or by a vote of the shareholders holding or representing majority of the outstanding stock of PABFI.

The Fund Management Agreement may be terminated at any time, upon written notice of not less than 60 days, by PABFI's Board of Directors, or by a vote of the shareholders holding or representing majority of the outstanding capital stock of PABFI, or by PAMI. The Fund Management Agreement is also deemed automatically terminated after a new fund manager is qualified and selected in the event that PAMI has signified its intention not to renew.

For services rendered under the Fund Management Agreement, PAMI is entitled to a management fee charged monthly equivalent to and not exceeding one-sixth of one per centum (1/6 of 1) per month, or two percent (2%) per year per year. In addition, PAMI shall be entitled to a performance fee subject to the High Water Marking. This performance fee shall be on the positive out performance of the Fund as determined by computing the increase in the current net asset value per share less the High Water Mark or the Fund's benchmark rate, whichever is higher. The High Water Mark is based on the highest net asset value per share generated by the Fund in the prior periods starting from the time the Fund is launched. PAMI shall be entitled to one-tenth (1/10) of the positive out performance, if any, multiplied by the average daily number of shares outstanding of the company for such year. The performance fee shall be computed and accrued on a daily basis but payment to PAMI shall be made within the next succeeding year.

The Fund Management Agreement provides that in no case may the total compensation to PAMI exceed any maximum limit prescribed under R.A. 2629. At present, the SEC has not yet issued any guidelines or regulations prescribing the maximum limits for compensation to fund managers.

### **Direct Custodial Services Agreement**

PABFI engaged the services of various Citibank branches around the world as custodian of PABFI's property and cash. The Citibank branches in the following countries were engaged as custodians under this agreement: Australia, Austria, Canada, France, Germany, Hong Kong, Indonesia, India, Italy, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Philippines, Portugal, Singapore, Spain, Switzerland, Taiwan, Thailand, United Kingdom and the United States.

The agreement does not provide for a definite term and shall be terminated at the instance of either party. This agreement may be terminated by PABFI by giving notice to the applicable custodian or to Citibank N.A. (if it wishes to terminate the entire arrangement), by giving written notice of not less than sixty days. Any custodian or Citibank may likewise terminate the agreement by giving the same written notice within the same period.

The services to be rendered by the Custodians under this agreement include the following:

1. Taking custody of the property and cash of PABFI;
2. Collecting and receiving for the account of PABFI all income, payments and distributions in respect of the property held under its custody;

3. Receiving and holding for the account of PABFI all securities received as a result of a stock dividend, share subdivision or reorganization, capitalization of reserves or otherwise; and
4. Making cash disbursements for any expenses incurred in handling the property.

The fees payable by PABFI to each custodian under the agreement varies depending on the country where the custodian bank is located.

### **Service Agreement**

PABFI engaged the services of Philam Asset Management, Inc. (“PAMI”) as Stock Transfer Agent.

The services to be rendered by PAMI under this agreement include the following:

1. Taking possession of and safeguarding the following items, among others:
  - a. All unissued stock certificates of PABFI;
  - b. Stock Transfer Journal and Ledgers of PABFI.
2. Issuing certificate of stocks of PABFI upon instruction of PAMI and upon presentation of the proper underlying documents;
3. Attending to all details of stock cancellation and issuance, including the prompt and due recording in the stock and transfer journal and ledgers;
4. Computing and submitting to PAMI the proper amount of Documentary Stamp Tax; and
5. Registering all liens constituted on the shares of stock of PABFI upon receipt thereof and cancelling existing liens upon receipt of notice of release thereof.

The term of this agreement is from April 7, 2016 until terminated. It may be terminated upon thirty days’ notice from either party.

For services rendered, PABFI agrees to pay PAMI basis points according to the Fund’s Assets under Management (AUM) given the following tiers:

	\$0 – 400M	\$401 – 600M	\$601 – 800M	Above \$800M
Basis Points	5	4	3.5	3

Costs for documentary stamps, forms, stationery, signature cards, checks, certificates and other related expenses shall also be for the account of PABFI.

## TAXATION

*The following is a general description of certain Philippine tax aspects of the investment in the Company. This discussion is based upon laws, rules and regulations, rulings, income tax conventions (treaties), administrative practices, and judicial decisions in effect at the date of this Prospectus. Subsequent legislative, judicial, or administrative changes or interpretations, which may be retroactive in nature, could affect tax consequences to the prospective investor.*

*The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be applicable to an investor.*

*This general description does not purport to be a comprehensive description of the Philippine tax aspects of the investment in shares and no information is provided regarding the tax aspects of acquiring, owning, holding, or disposing of the shares under applicable tax laws of other pertinent jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding, and disposing of the shares in such other jurisdictions.*

The terms "resident alien," "non-resident citizen," "non-resident alien," "resident foreign corporation," and "non-resident foreign corporation" are used in the same manner as in the Tax Code.

A "resident alien" is an individual whose residence is within the Philippines and who is not a citizen thereof.

A "non-resident citizen" is a citizen of the Philippines who: (a) established to the satisfaction of the Commissioner of Internal Revenue the fact of his/her physical presence abroad with a definite intention to reside therein; (b) leaves the Philippines during the taxable year to reside abroad, either as an immigrant or for employment on a permanent basis; or (c) works and derives income from abroad and whose employment thereat requires him to be physically present abroad most of the time during the taxable year. A citizen of the Philippines who has been previously considered as a non-resident citizen and who arrives in the Philippines at any time during the taxable year to reside permanently in the Philippines shall be treated as a non-resident citizen for the taxable year in which he/she arrives in the Philippines with respect to his/her income derived from sources abroad until the date of his/her arrival in the Philippines.

A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. A "non-resident alien" may either be engaged or not engaged in trade or business in the Philippines. A "non-resident alien" who stays in the Philippines for an aggregate period of more than 180 days during any calendar year is deemed a "non-resident alien doing business in the Philippines."

A "resident foreign corporation" refers to a foreign corporation engaged in trade or business in the Philippines, while a "non-resident foreign corporation" refers to a foreign corporation not engaged in trade or business in the Philippines.

A resident citizen is taxed on income from all sources (other than certain passive income and capital gains) at progressive rates ranging from five percent (5%) to thirty two percent (32%) of net taxable income. A non-resident alien engaged in trade or business in the Philippines is generally subject to tax on net income from Philippine sources (other than certain passive

income and capital gains) at the same progressive tax rates imposed on resident aliens and citizens.

A non-resident alien not engaged in trade or business in the Philippines is taxed on gross income from Philippine sources (other than certain passive income and capital gains) at the rate of twenty five percent (25%) withheld at source.

Below is a short discussion of the pertinent taxes with respect to the transactions of the Fund and the shareholders in the Fund.

## **THE FUND**

### **Corporate Income Tax**

A domestic corporation is subject to a tax of thirty percent (30%) since the beginning of 2009 of its taxable income (gross income less allowable deductions) from all sources within and outside the Philippines except those items of income that are subject to final withholding tax, such as: (a) gross interest income from Philippine currency bank deposits and yield or any other monetary benefit from deposit substitutes, trust funds, and similar arrangements as well as royalties from sources within the Philippines that are generally taxed at the lower final withholding tax rate of twenty percent (20%) of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system that is subject to a final tax at the rate of seven and a half percent (7.50%) of such income

A resident foreign corporation (except certain types of corporations enumerated in the Tax Code) is subject to a tax of thirty percent (30%) since beginning of 2009 of its taxable income (gross income less allowable deductions) from all sources within the Philippines except those items of income that are subject to final withholding tax, such as: (a) gross interest income from Philippine currency bank deposits and yield or any other monetary benefit from deposit substitutes, trust funds, and similar arrangements as well as royalties from sources within the Philippines that are generally taxed at the lower final withholding tax rate of twenty percent (20%) of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system that is subject to a final tax at the rate of seven and a half percent (7.50%) of such income.

A minimum corporate income tax of two percent (2%) of the gross income as of the end of the taxable year is imposed on a domestic corporation, as well as on a resident foreign corporation (other than an international carrier, an offshore banking unit, or a regional or area headquarters or regional operating headquarters of a multinational company), beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the regular income tax for the taxable year. Any excess of the minimum corporate income tax over the ordinary corporate income tax shall be carried forward and credited against the latter for the three (3) immediately succeeding taxable years. Further, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation that suffers from losses on account of a prolonged labor dispute, or because of force majeure, or because of legitimate business reverses.

The President of the Philippines may, upon the recommendation of the Secretary of Finance and upon occurrence of certain macroeconomic conditions, allow domestic and resident foreign corporations the option to be taxed on a gross basis at the rate of fifteen percent (15%). This authority has not been exercised to date.

A final withholding tax of thirty five percent (35%) is imposed, as a general rule, upon the gross income received during each taxable year of a non-resident foreign corporation from all

sources within the Philippines, subject to the provisions of tax treaties between the Philippines and the country of residence of such foreign corporation.

## **THE SHAREHOLDER**

### **Tax on Dividends**

Cash and property dividends received from a domestic corporation by individual stockholders who are either citizens or residents of the Philippines are subject to final withholding tax at the rate of ten percent (10%). Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a twenty percent (20%) final withholding tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are generally subject to final withholding tax at the rate of twenty five percent (25%) of the gross amount subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals. A non-resident alien who comes to the Philippines and stays in the country for an aggregate period of more than 180 days during any calendar year will be deemed a non-resident alien engaged in business in the Philippines.

Cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to tax while those received by non-resident foreign corporations (i.e. foreign corporations not engaged in trade or business in the Philippines) are subject to final withholding tax at the rate of thirty percent (30%) from 2009 onwards.

The thirty percent (30%) rate may also be reduced to fifteen percent (15%) if the country in which the non-resident foreign corporation is domiciled imposes no tax on foreign-sourced dividends or allows a credit against the tax due from the non-resident foreign corporation, for taxes deemed to have been paid in the Philippines equivalent to twenty percent (20%). Effective on January 1, 2009, the credit against the tax due shall be fifteen percent (15%).

The thirty percent (30%) rate for dividends paid to a non-resident foreign corporation may be reduced if the country of residence of such foreign corporation has an existing tax treaty with the Philippines and such treaty provides for a preferential tax rate.

Philippine tax authorities have prescribed, through an administrative issuance, certain procedures for availment of tax treaty relief. Subject to the approval by the BIR of the Company's application for tax treaty relief, the Company shall withhold taxes at a reduced rate on dividends to be paid to a nonresident holder, if such non-resident holder provides the Company with proof of residence and if applicable, individual or corporate status. Proof of residence for an individual consists of certification from his/her embassy, consulate, or other equivalent certification issued by the proper government authority, or any other official document proving tax residence. If the regular tax rate is withheld by the Company instead of the reduced rates applicable under the treaty, the non-resident holder of the shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal if the claim is denied by the BIR. The filing of a claim for refund may therefore prove to be impractical.

Stock dividends distributed pro-rata to any holder of shares of stock are not subject to Philippine income tax.

### **Sale, Exchange or Disposition of Shares**

#### **Taxes on Capital Gains**

Gains realized by the shareholder upon redemption of his shares of stock in the Fund are not subject to tax.

### **Documentary Stamp Tax**

The original issuance of shares of stock is subject to documentary stamp tax of Php1.00 for each Php200.00 par value or a fraction thereof, of the shares of stock issued. On the other hand, the sale, transfer, or other disposition of shares of stock (including the re-issuance of previously redeemed shares of stock) is subject to a documentary stamp tax of Php0.75 for each Php200.00 par value or a fractional part thereof of the shares sold, transferred, or otherwise disposed of.

### **Estate and Gift Taxes**

Shares issued by a corporation organized under Philippine laws are deemed to have a Philippine *situs*, and any transfer thereof by way of succession or donation even if made by a non-resident decedent or donor outside the Philippines, is subject to Philippine estate or donor's tax.

Subject to certain exceptions, the transfer of shares upon the death of an individual holder to his/her heirs by way of succession, whether such holder was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine taxes at progressive rates ranging from five percent (5%) to twenty percent (20%), if the net estate is over Php200,000.00. On the other hand, individual and corporate holders, whether or not citizens or residents of the Philippines, who transfer shares by way of gift or donation will be liable to Philippine donor's tax on such transfers at progressive rates ranging from two percent (2%) to fifteen (15%) of the net gifts during the year exceeding Php100,000.00. The rate of tax with respect to net gifts made to a stranger (i.e. one who is not a brother, sister, spouse, ancestor, lineal descendant or relative by consanguinity within the fourth degree of relationship) is a flat rate of thirty percent (30%) of the net gifts.

Estate and donor's taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock: (a) if the decedent at the time of his/her death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his/her death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his/her death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

**EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS/HER OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING AND DISPOSING OF THE PABFI SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NATIONAL TAX LAWS.**