

## **AMENDED PROSPECTUS**

# **PHILAM FUND, INC.**

NINE HUNDRED THIRTY-TWO MILLION NINE HUNDRED SEVENTY-EIGHT THOUSAND FOUR HUNDRED SEVENTY-TWO (932,978,472) SHARES OF COMMON AND VOTING STOCKS OF THE PHILAM FUND, INC. (PFI) AMOUNTING TO PHP932,978,472.00 AT A PAR VALUE OF PHP1.00 WILL BE OFFERED TO THE PUBLIC AT THE CURRENT NET ASSET VALUE PER SHARE. THE FUND SHALL BE READY TO BUY FROM AND SELL SHARES TO THE PUBLIC IN ANY OF ITS OFFICES AND BRANCHES.

THE FUND'S SHARES WILL NOT BE LISTED WITH THE PHILIPPINE STOCK EXCHANGE AND WILL BE SOLD OVER THE COUNTER. PHILAM ASSET MANAGEMENT, INC. IS THE FUND'S DISTRIBUTOR AND MANAGER.

**April 21, 2017**

**THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.**

## PHILAM FUND, INC.

This Prospectus pertains to the registration and offer to the public of an additional 329,662,808 new shares pursuant to the application for increase in authorized capital stock from 603,315,664 to 932,978,472 common shares. On January 4, 2016, the Fund filed the application with the Securities and Exchange Commission for the increase in authorized capital stock which is still for approval by the SEC as of March 31, 2017.

The application for an increase in the Company's authorized capital stock was brought about by the Fund's successful distribution activities which is a direct result of the Fund's impressive performance in 2015. Subject to the approval of the application for increase and registration of the additional 329,662,808 shares with the SEC, the offering of the same to the public will allow the Fund to further improve its diversification and overall performance.

The Fund applied for an increase in authorized capital stock for 286,160,520 additional shares that was approved by the SEC on December 17, 2013. On March 3, 2008, the SEC approved PFI's application for an additional 117,155,144 shares. These increases were initiated with the successful distribution activities brought about by the Fund's significant performance in previous years.

Estimated gross proceeds of the additional 329,662,808 PFI shares, if sold at net asset value per share ("NAVPS") as of March 22, 2017 at Php16.1334 is Php5,318,581,946.59. All proceeds will be held by the custodian bank.

The Company plans to use the proceeds from the sale of PFI shares to build up its investment in equities of companies listed in the primary and secondary boards of the Philippine Stock Exchange ("PSE"). Likewise, proceeds will also be used to build up the investment in domestic fixed-income instruments, including but not limited to, treasury bills, Bangko Sentral ng Pilipinas' (BSP) Certificate of Indebtedness, other government securities or bonds and such other evidences of obligations issued by the BSP or guaranteed by the Philippine Government. PFI is a balanced fund and is moderate in risk. The Fund's investments are made pursuant to the Investment Restrictions and Guidelines, which are set out in detail in the body of this Prospectus.

The Fund does not plan to invest in foreign securities. However, the SEC, pursuant to SEC Memorandum Circular No. 7, series of 2005, or the "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.

Aside from market conditions, timing will also be a critical area of consideration in the purchase or sale of the Fund's securities.

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

Under the Investment Company Act, it shall be unlawful for the 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 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

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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 City and ratified by a majority vote of its stockholders during the Special Shareholders' Meeting held at Net Lima Building, 5th Avenue corner 26th Street, Bonifacio Global City, Taguig City on 13 March 2017.

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.

The Fund is engaged primarily in the business of investing, reinvesting and trading in securities and the sale of its shares. As a licensed open-end investment company, it offers to the public, on a continuing basis, redeemable shares of stock, at a price related to the net asset value of the Fund's portfolio.

The Investment Manager (or "Fund Manager") of the Fund is Philam Asset Management, Inc. (PAMI). As investment manager and principal distributor, PAMI is entitled to a management fee equivalent to a 1/6 of 1% of the average net value of the Fund's assets, computed on a daily basis. Furthermore, PAMI is entitled to an incentive fee equivalent to 1/10 of 1% of the appreciation (whether realized or unrealized) in the value of the Fund's net asset value per share in excess of 12% in any calendar year.

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%)
10,000 to 99,999	3.0%	0.36%
100,000 to 249,999	2.0%	0.24%
250,000 to 999,999	1.5%	0.18%
1,000,000 and above	1.0%	0.12%

This Prospectus includes forward-looking statements. The Company has based these forward-looking statements largely on its current expectations and projections about future events and financial trends affecting its business and operations. Words including, but not limited to "believes", "may", "will", "estimates", "continues", "anticipates", "intends", "expects" and similar words are intended to identify forward-looking statements. In light of the risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances in this Prospectus may not occur. The Company's actual results could differ significantly from those anticipated in the Company's forward-looking statements.

The PFI shares are offered solely on the basis of the information contained and the representations made in this Prospectus. No dealer, salesman or other person has been authorized by the Company or the Fund Manager to issue any advertisement or to give any information or make any representation in connection with the offering other than those contained in this Prospectus and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorized by the Company or the Issue Manager.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Company or the Fund Manager to subscribe for or purchase any of the PFI Shares. Neither may this Prospectus be used as an offer to, or solicitation by, anyone in any jurisdiction or in any circumstance in which such offer or solicitation is not authorized or lawful. The distribution of this Prospectus and the offer in certain jurisdictions may be restricted by law. Persons who come into possession of this Prospectus are required by the Company and the Fund Manager to inform themselves about, and to observe any, such restrictions.

The Company is a domestic corporation, incorporated on August 29, 1969, with principal business office address at:

5<sup>th</sup> FLOOR, SALUSTIANA D. TY TOWER  
104 PASEO DE ROXAS CORNER NIEVA & PEREA STREETS  
LEGASPI VILLAGE, MAKATI CITY 1226  
TELEPHONE NUMBERS: (632) 867-39-12 to 18  
FAX NUMBERS: (632) 813-68-13 and 18

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## **THE PHILAM FUND, INC.**

The Philam Fund, Inc. (“PFI” or the “Fund”) is an open-end investment company established in accordance with Republic Act No. 2629, otherwise known as the Investment Company Act (RA 2629) and duly registered with and regulated by the Securities and Exchange Commission.

PFI will be denominated in Philippine Peso, and its shares will be offered to the public based on its Net Asset Value per Share (NAVPS) with a minimum investment of Php1,000<sup>2</sup> and minimum additional investment of Php500.00<sup>1</sup>, unless the SEC prescribes otherwise. All sales shall be on a cash basis and installment sales are prohibited.

The investment objective of the Fund is capital growth with returns and inflows derived out of investments in both equity and fixed-income securities. PFI considers a medium to long-term investment horizon for its shareholders. The Fund will be positioned to compete directly with other balanced mutual funds and unit investment trust funds offered by commercial banks.

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 policy changes.

PAMI is the Investment Manager. PAMI, through its Treasury Manager, will handle all investments of the Fund with the guidance from PAMI's Asset Liability Committee (ALCO) and the officers of the Treasury Division of Philam Life.

## **RISKS OF INVESTING**

### **GENERAL RISK WARNING**

- The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities.
- Past performance is not a guide to future performance.
- There is an extra risk of losing money when securities are bought from smaller companies. There may be a big 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 a different level of risk.

### **PRUDENCE REQUIRED**

This risk 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 on the trading of securities before commencing any trading activity. He/she may request information on the securities and issuer thereof from the Commission which are available to the public.

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<sup>2</sup> As amended by a majority vote of the Board of Directors during its Regular Meeting on 27 October 2016 at Net Lima Building, 5th Avenue corner 26th Street, Bonifacio Global City, Taguig City and ratified by a majority vote of its stockholders during the Special Shareholders' Meeting held at Net Lima Building, 5th Avenue corner 26th Street, Bonifacio Global City, Taguig City on 13 March 2017.

## PROFESSIONAL ADVICE

An investor should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities to invest in or the nature of risks involved in trading securities specially those high risk securities.

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

### PHILAM FUND, INC. Financial Highlights

Year Ended December 31	2016 (Audited)	2015 (Audited)	2014 (Audited)
Gross Investment Income	290,563	275,306	1,242,576
Operating Expenses	392,539	670,137	216,773
Provision for Income Tax	41,548	37,467	24,477
NET INVESTMENT INCOME (LOSS)	(143,524)	(432,298)	1,001,326
TOTAL ASSETS	10,357,128	9,985,377	10,015,456
TOTAL LIABILITIES	49,857	1,455,964	262,966
<b>NET ASSETS</b>	<b>10,307,271</b>	<b>8,529,413</b>	<b>9,752,490</b>
NAVPS	15.7516	15.9868	16.7825

## GLOSSARY

TERM	DEFINITION
<b>BSP</b>	Bangko Sentral ng Pilipinas
<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>PFI or Fund or Company</b>	Philam Fund, Inc.
<b>PHP or Php</b>	Philippine Pesos
<b>Philamlife</b>	The Philippine American Life and General Insurance Company
<b>GMD</b>	Group Management Division
<b>R.A. 2629</b>	Republic Act No. 2629 or the Investment Company Act
<b>SEC</b>	Securities and Exchange Commission
<b>PSE</b>	Philippine Stock Exchange

**A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.**

## RISK FACTORS

PFI is exposed to financial risk through its financial assets and financial liabilities. The most important components of this financial risk are 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. The risk that the Fund 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.

Listed below, in order of importance, is a summary of the above-mentioned risks:

- ❖ **Credit Risk:** Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

PFI manages the level of credit risk it accepts through the following: setting up of exposure limits by each counterparty or group of counterparties and industry; right of offset where counterparties are both debtors and creditors; guidelines on obtaining collaterals and guarantees; reporting of credit risk exposures; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

In respect of investment securities, PFI secures satisfactory credit quality by setting maximum limits of portfolio securities with a single issuer or group of issuers. The Fund also transacts only with institutions with high credit worthiness.

PFI sets the maximum amounts and limits that may be advanced to/placed with individual corporate counterparties which are set by reference to their long term ratings.

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

The Fund is exposed to daily cash redemptions of its issued shares. It therefore invests the majority of its assets in investments that can be readily disposed of.

The Fund manages liquidity through the following activities: specifies minimum proportion of funds to meet emergency calls; sets up contingency funding plans; specifies the sources of funding and the events that would trigger the plan; determines concentration of funding sources; reports liquidity risk exposures; monitors compliance with liquidity risk policy and reviews the liquidity risk policy for pertinence and changing environment.

It is unusual for a Fund to predict the requirements of funding with absolute certainty as theory of probability is applied on contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amounts and maturities in respect of liabilities are thus based on management's best estimate based on statistical techniques and past experience.

- ❖ **Market Risk:** Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is

caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Fund structures 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 fair value financial assets and liabilities; asset allocation and portfolio limit structure; diversification benchmarks by type of instrument; the net exposure limits by each counterparty or group of counterparties and industry segments; control over hedging activities; reports market risk exposures; compliance with market risk policy and review of market risk policy for pertinence and changing environment.

Since the transactions of PFI are generally carried out in its functional currency, its exposure to currency risk is minimal. Likewise, since the Fund is established to invest in fixed-income securities, it is not exposed to cash flow interest rate risk and price risk.

- ❖ **Interest Rate Risk:** Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose PFI to cash flow interest risk, whereas fixed interest rate instruments expose the Fund to fair value risk. The Fund's fixed rate investments and receivables in particular are exposed to fair value risk.

The Fund's market risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial liabilities.

- ❖ **Price Risk:** Price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally FVPL equity securities.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

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

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

1. **Team approach to decision making:** PAMI applies a team approach to account management. PAMI always assigns two portfolio managers per account to have a back-up in case of absence. Decisions on most trades involve an analyst, trader, and two portfolio managers, therefore enforcing quality and consistency in our decisions.
2. **Industry review:** Once a quarter, every industry in the investment grade universe is reviewed. The objective is to formulate an outlook for each industry. The portfolio managers in conjunction with the traders will then determine from this review what the appropriate industry weightings will be for the next 3 months. This way we maintain consistency in industry weightings across portfolios and time.
3. **Investment Committee:** The Committee meets monthly and reviews all new purchases. Written and oral presentations are given on new issuers added to the portfolios. Also, even though PAMI's clients' portfolios are constrained by their

investment guidelines, PAMI applies a consistent investment process across all accounts. This practice further ensures the alignment of interest with our clients.

4. Performance risk: This is managed through the independent production of performance data by a separate performance department. That data is distributed monthly to all portfolio managers, as well as senior management. Pricing of portfolios is carried out by the back office, independently of the portfolio managers. The PAMI Performance Team runs performance attribution for the investment teams using Wilshire Axiom. These reports help PAMI analyze the sources of our return and value added.

The Team uses the following portfolio analytical systems to monitor existing positions and risk exposures.

Risk Management System is a proprietary system fed by the Investment DataBase (IDB). It allows portfolio managers to view a group of portfolios and answer the following questions related to credit default risks:

- How much exposure do we have to a specific industry?
- How much exposure do we have to a specific credit?
- What securities of the credit do we own and how much of each?
- Which accounts have the exposure?
- What are our analysts' current outlook and recommendations for the credit?
- When was the outlook last changed?

All holdings and individual security characteristics, including duration, call data, book value, and yield are analyzed for each portfolio. This system is used to view the key structural parameters of a portfolio. The system provides on a daily basis: index weightings; summary statistics; access to specific holdings; and comparisons between each portfolio and its index benchmark.

Investment risk (for example, tracking error, position size, diversification, etc.) is tracked utilizing a number of external systems as well as internal proprietary systems and frameworks. PAMI uses an approach whereby total tracking error at any given time is subdivided in a variety of sources. The aim is to ensure the ordering of tracking error contributions reflects both diversification and the confidence level in the views that prompt us to take on each source of risk.

### **Other Risk Management Policies**

- Fiduciary duty

In managing client portfolios, PAMI has a fiduciary responsibility to treat clients fairly. This duty requires a course 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 Objective

The investment objective of the Fund is capital growth with returns and inflows derived out of investments in both equity and fixed-income securities.

### Investment Plans

PFI will invest in a combination of stocks with large and medium capitalization that can provide good value and capital appreciation over the medium term. Management, earnings potential, strong balance sheet, and attractive valuations will be the primary criteria for stock selection. Changes in the macroeconomic conditions can dictate the equities that the Fund will invest in. Temporary shifts to cash or fixed-income instruments may be done as a defensive move.

### Shares Offered

PFI shares are redeemable common stocks (one class of shares only).

## INVESTMENT RESTRICTIONS

1. Unless ordered otherwise by the Securities and Exchange Commission, 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.
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 or 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. 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 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 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.
  - 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 or the "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 and corporate borrowers.
11. Changes 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.

### **Portfolio Mix**

The Fund intends to acquire and hold equity securities primarily for long-term capital appreciation and fixed income instruments for maximum yields. However, as market conditions dictate, the Fund may shift between debt and equity securities to meet its objectives.

Equity investments comprise of companies listed in the primary and secondary boards of the PSE. Fixed income investment comprise domestic fixed-income instruments, including but not limited to, treasury bills, BSP Certificate of Indebtedness, other government

securities or bonds and such other evidences of obligations issued by the BSP or guaranteed by the Philippine Government.

However, the Fund Manager may, at its discretion, and when in its judgment the conditions so warrant, invest a substantial amount of the Fund's assets in equity securities up to the maximum allowed under prevailing Philippine laws or up to 100% in fixed income securities.

### **Eligible Applicant**

Shares of the Fund may be held by any person of legal age or any duly organized and existing corporation, partnership, or any other legal entity regardless of citizenship or nationality. 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, must be submitted with the application.

### **Offering Price**

The PFI shares shall be sold at NAVPS for the banking day, if payment is made within the daily cut-off time; otherwise, the NAVPS on the following banking day will be used if payment is made after the daily cut-off time plus an entry fee or sales load depending on the investment amount. The daily cut-off time will be 12:00 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.

### **Sales Load**

Sales load for each investment will not be more than 3.0% based on the following schedule:

Investment Amount (in Php)	Sales Load	VAT on Sales Load (12%)
10,000 to 99,999	3.0%	0.360%
100,000 to 249,999	2.0%	0.240%
250,000 to 999,999	1.5%	0.180%
1,000,000 and above	1.0%	0.120%

### **Purchase Policy**

All investments shall be on 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.<sup>3</sup>

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<sup>3</sup> As amended by a majority vote of the Board of Directors during its Regular Meeting on 27 October 2016 at Net Lima Building, 5th Avenue corner 26th Street, Bonifacio Global City, Taguig City and ratified by a majority vote of its stockholders during the Special Shareholders' Meeting held at Net Lima Building, 5th Avenue corner 26th Street, Bonifacio Global City, Taguig City on 13 March 2017.

## PROCEDURES IN THE SUBSCRIPTION AND REDEMPTION OF SECURITIES

### Opening an Account

Any qualified investor may purchase PFI shares, through the principal distributor, PAMI, or through any authorized investment solicitor.

Opening an account requires filling-out, disclosing and presenting the following information and documents:

#### 1. Individual Accounts

- Client Information Sheet (CIS) for the primary, secondary and principal investors, including 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.

1. Bureau of Internal Revenue (BIR) Tax Identification No. (TIN) I.D.
2. Department of Foreign Affairs I.D.
3. Social Security System (SSS) I.D.
4. Government Service Insurance System (GSIS) I.D.
5. Philippine Health Insurance Corp. (Philhealth) I.D.
6. Home Development Mutual Fund (PAG-IBIG) I.D.
7. Commission on Election (COMELEC) Voters I.D.
8. Philippine Regulatory Commission (PRC) I.D.
9. Philippine Postal Office I.D.
10. Land Transportation Office (LTO) Driver's License
11. Philippine Passport
12. Barangay Office or Center I.D.

- 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 IAF 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 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

The receiving agent, PAMI sales or sales & administrative assistant personnel should confirm that he has verified the authority and identification of the person transacting in behalf of the corporate client by writing in the IAF: *“Capacity of Mr. X to transact in behalf of “name of company” authenticated by “name of receiving”* and affixing his signature after the statement.

### **Additional Investment**

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 designated as such 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, 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.

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 periodic basis. PAMI shall also send reports, fund updates, fund manager reports and various information materials on a periodic basis to apprise investors of the outlook and performance of the Company and its funds. Upon the request of the investor, PAMI shall issue certifications, for a fee, and annual reports, which can also be viewed or downloaded from the 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 of the Fund will be posted on 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 part or in full. Partial redemption is allowed if number of shares do not go below the prescribed minimum investment.

### **Redemption**

The price of securities surrendered for redemption within the daily cut-off time shall be the current banking day's NAVPS after the redemption is received, while those surrendered after the daily cut-off time shall be deemed to have been received the following banking day. The daily cut-off time for redemption shall be 12:00 o'clock noon. Payment shall be made no later than seven (7) days from receipt of redemption request, at the principal office of the investment manager.

### **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**

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:

<b>Placement Period</b>	<b>Exit Fee</b>	<b>Exit Fee + 12% VAT</b>
Less than six (6) months	1.00%	1.12%
Six months and above	0.00%	0.00%

### **Special Considerations**

PFI shall not suspend the right of redemption or postpone the date of payment or satisfaction upon redemption of any redeemable security for more than seven 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 PFI shares to build up its investment in equities of companies listed in the primary and secondary boards of the PSE. Proceeds will also be used to build up investment in domestic fixed-income instruments, including but not limited to, treasury bills, BSP Certificate of Indebtedness, other government securities or bonds and such other evidences of obligations issued by the BSP or guaranteed by the Philippine Government.

The Fund does not plan to invest in foreign securities. SEC Memorandum Circular #7 Series of 2005 or the "Guidelines on the Evaluation of Foreign Investments by Mutual Fund Companies" nevertheless allows mutual fund companies to invest up to 100% of its assets in foreign securities.

The Fund's NAVPS will be valued based on market prices and its performance benchmarked against a comparable Government Securities Index, hence, the Fund's portfolio duration will approximate that of the chosen index. However, the investment manager, may, at any time, change the reference index where, for reasons outside the investment manager's control, the index has been replaced by another index, or where another index may be reasonably be considered to have become the industry standard for the relevant exposure. Shareholders will be advised of any change in the reference index in the next annual report of the Fund. A custodian bank duly appointed by the board of directors will safe keep the proceeds of the sale of shares.

Estimated gross proceeds of the additional 329,662,808 PFI shares, if sold at NAVPS (i.e., Php16.1334) as of March 22, 2017, is Php5,318,581,946.59. 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 PFI shares.

<b>PARTICULARS</b>	<b>AMOUNT</b>
Estimated Gross Proceeds	5,318,581,946.59
Less: Estimated Expenses	
SEC Registration & Filing Fees	1,892,145.49
Documentary Stamp Taxes	1,648,314.04
Legal Fees	150,000
Management Fees	106,371,638.93
Directors Fees	210,000
Advertising (Print)	50,000
Sales & Marketing	55,000
Prospectus, Letters & Envelopes	25,000
Postage	25,000
<i>Total Estimated Expenses</i>	<i>110,427,098.46</i>
<b>Estimated Net Proceeds</b>	<b>5,208,154,848.13</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.

## 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 the trade date shall be included in the NAVPS calculation on the same day. Other trades which do not meet the custodian's cut-off time are included in the NAVPS calculation one business day from trade date (T+1). 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**

Based on Portion II Section 7 of the Management & Distribution Agreement, PAMI functions only as the principal distributor of the Fund. PAMI does not have any arrangement to designate or nominate a member or members of the board of directors of PFI. Similarly, PAMI does not have the right to designate or sell shares to specified persons

Investments in the Fund will be offered as single one-time placement and through innovative savings program. Packaging contributions through programmed designs will essentially make investing in the Fund a strategic option for the Philamlife and Philam Plans policyholders who want to augment plan benefits. It will also be a good competitive tool for agents who encounter "buy term - invest the difference" concepts in the market. The programmed financial packages will be presented as simple savings programs that will be easy to sell.

The Market Regulation Department of SEC issued PAMI its license for the current year to operate as an Investment Company Adviser on 27 November 2015, 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 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. Campaigns will utilize print media, direct mailers, and telemarketing. Promotions will be directed at both the distribution channels and the retail investor.

As investment manager and principal distributor, PAMI is entitled to a management fee equivalent 1/6 of 1% of the average net value of the Fund's assets, computed on a daily basis. Furthermore, PAMI is entitled to an incentive fee equivalent to 1/10 of 1% of the appreciation (whether realized or unrealized) in the value of the Fund's net asset value per share in excess of 12% in any calendar year.

As an investment company, Philam Fund, Inc. is governed by the rules and regulations of the SEC, particularly the Investment Company Act, ICA Rule 35-1, Corporation code of the Philippines, and the Securities Regulation Code. PFI observes and complies with all government laws, rules and regulations that exist. PFI is not aware of any probable government regulations that may materially affect its business.

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

PFI was incorporated with an authorized capital stock of Two Hundred Million Pesos (Php200,000,000.00), divided into two hundred million redeemable common shares with par value of One Peso (Php1.00) for each share.

On 22 March 2007, the Board of Directors of the Fund, by a vote of the majority of all its members, resolved to increase PFI's authorized capital stock from Two Hundred Million Pesos (P200,000,000.00) to Five Billion Pesos (P5,000,000,000.00), which increase shall

be implemented in tranches. In a stockholders' meeting held on 11 May 2007, the stockholders owning or representing at least two-thirds of the outstanding capital stock of the Fund, approved the proposed increase in PFI's authorized capital stock. On 3 March 2008, the SEC approved the Amended Articles of Incorporation of PFI thereby increasing its authorized capital stock to Three Hundred Seventeen Million One Hundred Fifty Five Thousand One Hundred Forty Four Pesos (Php317,155,144), and said capital stock is divided into Three Hundred Seventeen Million One Hundred Fifty Five Thousand One Hundred Forty Four (317,155,144) shares of the par value of One Peso (P1.00) each. Of the increase in the authorized capital stock, One Hundred Seventeen Million One Hundred Fifty Five Thousand One Hundred Forty Four (117,155,144) 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.

During its regular meeting held on 31 January 2013, the PFI Board of Directors approved the second tranche increase in the fund's authorized capital stock. On December 17, 2013, the SEC approved the Amended Articles of Incorporation of PFI thereby increasing its authorized capital stock to Six Hundred Three Million Three Hundred Fifteen Thousand Six Hundred Sixty Four Pesos (Php603,315,664.00), and said capital stock is divided into Six Hundred Three Million Three Hundred Fifteen Thousand Six Hundred Sixty Four (603,315,664) shares of the par value of One Peso (P1.00) each. Of the increase in the authorized capital stock, Two Hundred Eighty Six Million One Hundred Sixty Thousand Five Hundred Twenty (286,160,520) new shares were offered to the public with an offer price equivalent to the Net Asset Value per Share ("NAVPS") plus an entry fee or sales load. On July 21, 2015, the permit-to-sell 286,160,520 shares to the public was approved by the SEC.

On December 10, 2015, the BOD further approved an additional increase in the Fund's authorized share capital from 603,315,664 shares to 932,978,472 shares with par value of P1 per share. On January 4, 2016, the Fund filed an application with the SEC for the increase in authorized share capital. This is still for approval of the SEC as at December 31, 2016.

Each share of PFI 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 PFI 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 PFI

PFI is a stock corporation incorporated on August 29, 1969 as Trinity Shares, Inc.<sup>4</sup> The Company's sole product is shares (securities) of PFI. PAMI will directly distribute the Fund's shares.

PFI is an open-ended mutual fund whose shares will be offered to the public at net asset value. PFI considers a medium to long-term investment horizon for its shareholders.

There are currently 57 registered mutual funds in the industry<sup>5</sup> with over Php243B in assets under management. The principal method of competition within the mutual fund industry is performance and service. PFI belongs in the peso-denominated balanced fund segment with 9 other competitors, including another PAMI-managed mutual fund, PAMI Horizon Fund, Inc.

The following table summarizes a comparison of PFI against its competitors for January to December 2016<sup>6</sup>:

<b>FUND NAME</b>	<b>SALES</b>	<b>REDEMPTIONS</b>	<b>NET SALES</b>
ATRAM Dynamic Allocation Fund, Inc. (formerly, Optima Balanced Fund, Inc.)	1,876,380.29	9,161,686.13	(7,285,305.84)
ATRAM Philippine Balanced Fund, Inc. (formerly, ATRKE Philippine Balanced Fund, Inc.)	112,651,103.41	712,606,826.51	(599,955,723.10)
Bahay Pari Solidaritas Fund, Inc.	299,999.32	15,554,494.80	(15,254,495.48)
First Metro Save and Learn Balanced Fund, Inc.	85,710,137.37	184,402,383.76	(98,692,246.39)
NCM Mutual Fund of the Phils., Inc.	264,448,245.97	380,910,009.71	(116,461,763.74)
PAMI Horizon Fund, Inc.	155,339,440.97	309,793,762.36	(154,454,321.39)
Philam Fund, Inc.	1,747,468,062.72	1,232,609,344.50	514,858,718.22
Sun Life Prosperity Balanced Fund, Inc.	1,142,931,385.75	3,091,462,276.38	(1,948,530,890.63)
Sun Life Prosperity Dynamic Fund, Inc.	0.00	308,713,759.07	(308,713,759.07)

The following table summarizes a comparison of PFI against its competitors for January to December 2015<sup>7</sup>:

<b>FUND NAME</b>	<b>SALES</b>	<b>REDEMPTIONS</b>	<b>NET SALES</b>
ATRAM Dynamic Allocation Fund, Inc. (formerly, Optima Balanced Fund, Inc.)	10,880,054.41	6,561,465.56	4,318,588.85
ATRAM Philippine Balanced Fund, Inc. (formerly, ATRKE Philippine Balanced Fund, Inc.)	589,054,752.61	1,471,312,132.69	(882,257,380.08)
Bahay Pari Solidaritas Fund, Inc.	0.00	9,249,664.10	(9,249,664.10)

<sup>4</sup> As amended at the special meeting of the Board of Directors and at the annual meeting of stockholders both held on November 13, 1992 changing the name from Trinity Shares, Inc. to Philam Fund, Inc.

<sup>5</sup> Source: Philippine Investment Funds Association, Inc. (PIFA)

<sup>6</sup> Source: Philippine Investment Funds Association, Inc. (PIFA)

<sup>7</sup> Source: Philippine Investment Funds Association, Inc. (PIFA)

First Metro Save and Learn Balanced Fund, Inc.	223,567,302.63	346,764,190.63	(123,196,888.00)
NCM Mutual Fund of the Phils., Inc.	923,556,235.44	940,002,189.24	(16,445,953.80)
One Wealthy Nation Fund, Inc.	82,229,478.08	17,512,471.76	64,717,006.32
PAMI Horizon Fund, Inc.	130,828,837.19	176,077,653.39	(45,248,816.20)
Philam Fund, Inc.	2,391,996,511.42	1,674,438,084.20	717,558,427.22
Sun Life Prosperity Balanced Fund, Inc.	1,762,892,562.63	2,477,385,675.72	(714,493,113.09)
Sun Life Prosperity Dynamic Fund, Inc.	50,000.00	107,355,610.16	(107,305,610.16)

The following table summarizes a comparison of PFI against its competitors for January to December 2014<sup>8</sup>:

<b>FUND NAME</b>	<b>SALES</b>	<b>REDEMPTIONS</b>	<b>NET SALES</b>
ATRKE Philippine Balanced Fund, Inc.	2,045,168,047.94	1,224,725,060.88	820,442,987.06
Bahay Pari Solidaritas Fund, Inc.	39,198.92	28,444,216.79	(28,405,017.87)
First Metro Save and Learn Balanced Fund, Inc.	280,837,728.29	404,103,684.60	(123,265,956.31)
NCM Mutual Fund of the Phils., Inc.	633,590,662.94	563,052,644.42	70,538,018.52
One Wealthy Nation Fund, Inc.	66,282,315.90	38,886,955.26	27,395,360.64
Optima Balanced Fund, Inc.	23,479,503.08	24,928,227.08	(1,448,724.00)
PAMI Horizon Fund, Inc.	307,013,348.28	236,370,206.12	70,643,142.16
Philam Fund, Inc.	2,834,587,694.50	1,296,066,355.88	1,538,521,338.62
Sun Life Prosperity Balanced Fund, Inc.	1,477,980,838.17	2,889,019,831.15	(1,411,038,992.98)
Sun Life Prosperity Dynamic Fund, Inc.	2,795,226,460.00	40,957,022.22	2,754,269,437.78

PFI can compete 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 7,800 agents. PAMI also maximizes on the established corporate relationships of the Philam Group and AIA to tap the institutional investor segment. Another distribution channel is the third party distributor group which grows their customer relationships by expanding their product and service offerings.

Hence, based on the above discussion, we believe that the Fund will perform well in terms of both yield and sales. Furthermore, the Fund's cash flow facility will be a major differential advantage that will attract long-term investors.

As investment manager, PAMI is tasked to provide and render management and technical services to PFI. PAMI also functions as the principal distributor of PFI. As such, it takes charge of sales of the PFI shares to prospective investors. Through its Management and Distribution Agreement with PFI, the guidelines for the management of the resources and operations of PFI by PAMI are set. PAMI is wholly owned by Philamlife, an affiliate of the AIA Group Limited.

The management fee to be charged by PAMI is a maximum of 2% per year. The management fee to be charged will be set at the start of each quarter and will remain

<sup>8</sup> Source: Philippine Investment Funds Association, Inc. (PIFA)

constant for the duration of the calendar quarter. PAMI will vary the entry fee depending on the Fund's performance in order to provide shareholders with reasonable returns on their investments. A sales load of not more than 3.0% will also be charged. No-load arrangements can be negotiated with institutional investors on a case-to-case basis.

The Custodial Agreement establishes the relationship among PFI, PAMI and Citibank, N.A., with 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, and custody of PFI investments.

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

## 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 RA 2629, an investment company is any issuer which is 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 RA 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.

RA 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:

- a. the total amount received from the sale of shares;
- b. the total amount of redemption;
- c. the number of shares outstanding at the beginning of the month;
- d. the number of shares sold during the month;
- e. the number of shares redeemed during the month;
- f. the number of shares outstanding at the end of the month; and
- g. 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 RA 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 Income Payout 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**

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

## **Properties**

PFI 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 PFI<sup>9</sup> is a party and no litigation or claim of material importance is known to the Directors of PFI to be pending or threatened against the Fund during the past five (5) years up to the date of this Prospectus.

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<sup>9</sup> Philam Fund, Inc. has no subsidiaries nor affiliates.

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

### Market Information

#### Net Asset Value Per Share Per Quarter

QTR		YEAR	DATE	NAVPS	YEAR	DATE	NAVPS	YEAR	DATE	NAVPS
1	LOW	2015	5-Jan	16.8364	2016	21-Jan	14.9914	2017	03-Jan	16.3548
	HIGH		4-Mar	17.6969		30-Mar	16.5452		27-Jan	15.7022
2	LOW		9-Jun	16.7501		5-May	16.2381			
	HIGH		13-Apr	17.9705		29-Jun	17.2173			
3	LOW		29-Sep	16.0347		27-Sep	16.9246			
	HIGH		23-Jul	17.1731		21-Jul	17.6579			
4	LOW		11-Dec	15.6940		23-Dec	15.3821			
	HIGH		26-Oct	16.6441		4-Oct	17.0476			

### Holders

As of March 31, 2017, there were a total of ten thousand and nine hundred ninety-seven (10,997) holders of redeemable common stock (one class of shares only) totaling 666,893,890 shares. Following are the top 20 shareholders:

	NAME	NO. OF SHARES	% TO TOTAL SHARES
1	THE PHILIPPINE AMERICAN LIFE AND GENERAL INSURANCE CO (PHILAM LIFE)	360,949,910	54.1240%
2	LIFEBANK FOUNDATION, INC.	19,081,034	2.8612%
3	TELENGTAN BROTHERS AND SONS, INC.	8,388,274	1.2578%
4	CRUZ, MA ELENA A	5,210,594	0.7813%
5	TPG CORPORATION	4,196,111	0.6292%
6	DEL ROSARIO, REYNALDO	4,039,757	0.6058%
7	RESINS, INCORPORATED	3,571,068	0.5355%
8	LHULLIER, JEAN HENRI D.	3,531,425	0.5295%
9	MARILAG CORPORATION	3,512,285	0.5267%
10	EWB TRUST DIVISION AS AGENT FOR TID 999312009535	3,493,010	0.5238%
11	JAUCIAN, JULIO MARTIRES	3,307,902	0.4960%
12	PERPETUAL SUCCOUR HOSPITAL OF CEBU, INC	2,890,044	0.4334%
13	AIM SCIENTIFIC RESEARCH FOUNDATION, INC.	2,703,003	0.4053%
14	GUANIO, LISA V.	2,274,215	0.3410%
15	JIAO, MARY ANNE D.	2,271,996	0.3407%
16	VICTORY CHRISTIAN FELLOWSHIP OF THE PHILS., INC.	1,841,431	0.2761%
17	STATEFIELDS SCHOOL INC	1,671,777	0.2507%
18	KALAYAAN DEVELOPMENT & INDUSTRIAL CORP.	1,659,930	0.2489%
19	PHILIPPINE GOLF FOUNDATION INC	1,655,844	0.2483%
20	ONG, JOSEPH JEROME DAYRO	1,452,024	0.2177%

## **Dividends**

The Company does not plan to declare dividends<sup>10</sup>. 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.

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<sup>10</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 City and ratified by a majority vote of its stockholders during the Special Shareholders' Meeting held at Net Lima Building, 5th Avenue corner 26th Street, Bonifacio Global City, Taguig City on 13 March 2017.

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

### OPERATIONAL HIGHLIGHTS/PERFORMANCE INDICATORS

#### 1. Assets Under Management

##### *FY 2016 vs. FY 2015*

The total assets of the Fund as of December 15, 2016 amounted to Php10.3 Billion. This is Php300 Million or 3.10% higher as compared with the balance as of December 31, 2015 of Php9.99 Billion. Php196.24 Million or 3.21% of this movement constitutes increase in the Fund's investments in financial assets at fair value through Profit or Loss, Php348.86 Million or 117% pertains to the increase in the Fund's loans and receivables characterized by the increase in the Fund's settlement receivable from brokers which settled 3 days after trade or cut-off date and which all constitute the large portion of the total asset movement with a corresponding Php3.09 Million or 0.88% increase in the Fund's Cash and Cash Equivalents, Php176.35 Million or 5.47% decrease in Funds investment in financial asset classified as available for sale. The increase in total assets is also due to the continuing client subscription and the strategy of the fund manager in the management of the Fund's assets, despite the poor performance of the market for the period then ended.

The Fund's net assets as of the period ending December 31, 2015 increased from Php8.53 Billion to Php10.31 Billion by the year ending December 31, 2016.

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

PFI's net assets as of end-December 2015 dropped by almost 13% as it fell to Php8.529 Billion from Php9.752 Billion in end-December 2014.

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

The Fund's Assets Under Management grew by 35.72% from Php7.185 Billion by the year ending December 31, 2013 to Php9.752 Billion by the year ending December 31, 2014.

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

The following table summarizes the quarters' Net Asset Value Per Share (NAVPS) highs and lows:

QTR		YEAR	DATE	NAVPS	YEAR	DATE	NAVPS	YEAR	DATE	NAVPS
1	LOW	2015	5-Jan	16.8364	2016	21-Jan	14.9914	2017	3-Jan	15.7022
	HIGH		4-Mar	17.6969		30-Mar	16.5452		27-Jan	16.3548
2	LOW		9-Jun	16.7501		5-May	16.2381			
	HIGH		13-Apr	17.9705		29-Jun	17.2173			
3	LOW		29-Sep	16.0347		27-Sep	16.9246			
	HIGH		23-Jul	17.1731		21-Jul	17.6579			
4	LOW		11-Dec	15.6940		23-Dec	15.3821			
	HIGH		26-Oct	16.6441		4-Oct	17.0476			

#### 3. Sales and Redemption

The following table summarizes the performance of PFI for January to December 2014<sup>11</sup> (in Php):

FUND NAME	SALES	REDEMPTIONS	NET SALES
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<sup>11</sup> Source: Philippine Investment Funds Association (PIFA)

Philam Fund, Inc.	2,834,587,694.50	1,296,066,355.88	1,538,521,338.62
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The following table summarizes the performance of PFI for January to December 2015<sup>12</sup> (in Php):

FUND NAME	SALES	REDEMPTIONS	NET SALES
Philam Fund, Inc.	2,391,996,511.42	1,674,438,084.20	717,558,427.22

The following table summarizes the performance of PFI for January to December 2016<sup>13</sup> (in Php):

FUND NAME	SALES	REDEMPTIONS	NET SALES
Philam Fund, Inc.	1,747,468,062.72	1,232,609,344.50	514,858,718.22

#### 4. Fund Performance Against Competition

The following table summarizes a comparison of PFI against its competitors for January to December 2016<sup>14</sup>:

FUND NAME	SALES	REDEMPTIONS	NET SALES
ATRAM Dynamic Allocation Fund, Inc. (formerly, Optima Balanced Fund, Inc.)	1,876,380.29	9,161,686.13	(7,285,305.84)
ATRAM Philippine Balanced Fund, Inc. (formerly, ATRKE Philippine Balanced Fund, Inc.)	112,651,103.41	712,606,826.51	(599,955,723.10)
Bahay Pari Solidaritas Fund, Inc.	299,999.32	15,554,494.80	(15,254,495.48)
First Metro Save and Learn Balanced Fund, Inc.	85,710,137.37	184,402,383.76	(98,692,246.39)
NCM Mutual Fund of the Phils., Inc.	264,448,245.97	380,910,009.71	(116,461,763.74)
PAMI Horizon Fund, Inc.	155,339,440.97	309,793,762.36	(154,454,321.39)
Philam Fund, Inc.	1,747,468,062.72	1,232,609,344.50	514,858,718.22
Sun Life Prosperity Balanced Fund, Inc.	1,142,931,385.75	3,091,462,276.38	(1,948,530,890.63)
Sun Life Prosperity Dynamic Fund, Inc.	0.00	308,713,759.07	(308,713,759.07)

The following table summarizes a comparison of PFI against its competitors for January to December 2015<sup>15</sup>:

FUND NAME	SALES	REDEMPTIONS	NET SALES
ATRAM Dynamic Allocation Fund, Inc. (formerly, Optima Balanced Fund, Inc.)	10,880,054.41	6,561,465.56	4,318,588.85
ATRAM Philippine Balanced Fund, Inc. (formerly, ATRKE Philippine Balanced Fund, Inc.)	589,054,752.61	1,471,312,132.69	(882,257,380.08)

<sup>12</sup> Source: Philippine Investment Funds Association (PIFA)

<sup>13</sup> Source: Philippine Investment Funds Association (PIFA)

<sup>14</sup> Source: Philippine Investment Funds Association (PIFA)

<sup>15</sup> Source: Philippine Investment Funds Association (PIFA)

Bahay Pari Solidaritas Fund, Inc.	0.00	9,249,664.10	(9,249,664.10)
First Metro Save and Learn Balanced Fund, Inc.	223,567,302.63	346,764,190.63	(123,196,888.00)
NCM Mutual Fund of the Phils., Inc.	923,556,235.44	940,002,189.24	(16,445,953.80)
One Wealthy Nation Fund, Inc.	82,229,478.08	17,512,471.76	64,717,006.32
PAMI Horizon Fund, Inc.	130,828,837.19	176,077,653.39	(45,248,816.20)
Philam Fund, Inc.	2,391,996,511.42	1,674,438,084.20	717,558,427.22
Sun Life Prosperity Balanced Fund, Inc.	1,762,892,562.63	2,477,385,675.72	(714,493,113.09)
Sun Life Prosperity Dynamic Fund, Inc.	50,000.00	107,355,610.16	(107,305,610.16)

The following table summarizes a comparison of PFI against its competitors for January to December 2014<sup>16</sup>:

FUND NAME	SALES	REDEMPTIONS	NET SALES
ATRAM Dynamic Allocation Fund, Inc. (formerly, Optima Balanced Fund, Inc.)	2,045,168,047.94	1,224,725,060.88	820,442,987.06
ATRAM Philippine Balanced Fund, Inc. (formerly, ATRKE Philippine Balanced Fund, Inc.)	39,198.92	28,444,216.79	(28,405,017.87)
Bahay Pari Solidaritas Fund, Inc.	280,837,728.29	404,103,684.60	(123,265,956.31)
First Metro Save and Learn Balanced Fund, Inc.	633,590,662.94	563,052,644.42	70,538,018.52
NCM Mutual Fund of the Phils., Inc.	66,282,315.90	38,886,955.26	27,395,360.64
One Wealthy Nation Fund, Inc.	23,479,503.08	24,928,227.08	(1,448,724.00)
PAMI Horizon Fund, Inc.	307,013,348.28	236,370,206.12	70,643,142.16
Philam Fund, Inc.	2,834,587,694.50	1,296,066,355.88	1,538,521,338.62
Sun Life Prosperity Balanced Fund, Inc.	1,477,980,838.17	2,889,019,831.15	(1,411,038,992.98)
Sun Life Prosperity Dynamic Fund, Inc.	2,795,226,460.00	40,957,022.22	2,754,269,437.78

## 5. FUND MANAGEMENT & ENVIRONMENTAL ANALYSIS

### *Market and Economic Review*

The PSEi was back in the green in March, advancing by 1.4% to close at 7,312. This despite a continued lack of news flow and acceleration in net foreign selling to \$251 Million. Average daily value traded rose 11% month-on-month to P6.7 billion per day, though much of this increase was related to rebalancing in the PSEi and FTSE indices.

Investors continue to await the passage of the first tax reform package, which is critical to the government's lofty infrastructure spend targets. Failure to pass this package will negatively impact GDP growth, interest rates, and/or the Peso. March inflation inched up to a new multi-year high of 3.4%. The 10-year treasury yield rose 69 bps to 5.0554. The Peso held steady this time, appreciating 14bps to 50.2.

<sup>16</sup> Source: Philippine Investment Funds Association (PIFA)

## *Outlook*

A domestically-driven demand for its goods and services implies that the stock market will weather the ups and downs of the global economy.

## FINANCIAL HIGHLIGHTS

### Income

#### *FY 2016 vs. FY 2015*

The net investment loss of the Fund as of December 2016 decreased by approximately Php288.77 Million when compared against the net loss as of December 2015. The improvement is due to significant movement of the Fund's gross income which is attributable to the movements of the amounts of both unrealized and realized gains attributable to the marking-to-market of the Fund's investments in financial assets measured at fair value through profit or loss and the strategizing of the Fund's investments alongside the performance of the market.

Loss Per Share as of December 31, 2016 was Php0.24, increasing by 0.48 from the Loss Per Share for the same period of the previous year. The Loss Per Share as at December 31, 2015 was Php-0.72.

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

Net investment loss for the year 2015 was Php-506.329 Million. This figure was 149% lower compared to the year 2014's Net investment Income of Php1,035 Million.

Losses Per Share for the year 2015 was Php-0.7213. This signified a 122% drop compared to the year 2014's EPS of Php3.1572.

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

Net investment income closed at Php1,035 Million by the end of 2014. This figure was 220% higher compared to the end of 2013 which posted a net investment loss of Php-860 Million.

Earnings Per Share (EPS) by year ending 2014 was Php3.1572. Similarly, this is almost 248% higher compared to the Losses Per Share in 2013 at Php-2.1396.

### Net Assets and Net Asset Value Per Share

#### *FY 2016 vs. FY 2015*

The Fund's net assets increased by Php1.78 Billion. This is brought about by the volume of subscriptions from investors and increase in fair market value of securities held as Financial Assets at Fair Value through Profit.

NAVPS on December 31, 2016 was at Php15.7516, decreasing by 0.2339 from the NAVPS of December 31, 2015 at Php15.9855.

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

PFI's Net assets for the year 2015 was Php8,529 Million. This figure was more than 12% lower than the net assets during the previous year 2014 which posted Php9,752 Million.

NAVPS on December 31, 2015 was Php15.9855. This was slightly lower compared to the NAVPS on the same day of the year 2014 as it was 3.43% less compared to the NAVPS of Php16.5532 posted.

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

The Fund's Net Assets for 2014 was Php9,752 Million. This figure was almost 36% higher compared to 2015 Net Assets of Php7,185 Million.

NAVPS on December 31, 2014 was posted at Php16.5532, a 12% increase from the previous year's NAVPS of Php14.7920.

### **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 PFI to determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance is based primarily on the SEC Corporate Governance Self-Rating Form (CG-SRF).

PFI 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

PFI has no material deviations from its Manual of Corporate Governance since it filed its CG-SRF with the SEC.

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

## **PFI DIRECTORS AND EXECUTIVE OFFICERS**

Incorporated on August 29, 1969 as Trinity Shares, Inc., PFI's incorporators were the following:

Oscar Ledesma  
Raul Manglapus  
Teodoro Valencia  
Manuel De Leon  
Alexander Sycip  
Gregorio R. Castillo

As of the date of this Prospectus, the Board of Directors and Executive Officers of PFI are as follows:

Name	Age	Citizen ship	Position	Term of Office	Years of Service
Roberto F. De Ocampo	71	Filipino	Chairman	2016 - 2017	11 Years
Reynaldo G. Geronimo	72	Filipino	President	2016 - 2017	5 Years
Arleen May S. Guevara	55	Filipino	Director	2016 - 2017	5 Years
Eric S. Lustre	54	Filipino	Director	2016 - 2017	< 1 Year
Elenita G. Villamar	54	Filipino	Director and	2016 - 2017	2 Years
Armand F. Braun, Jr.	79	Filipino	Independent	2016 - 2017	11 Years
Meliton B. Salazar, Jr.	51	Filipino	Independent	2016 - 2017	2 Years
Jose Ivan T. Justiniano	58	Filipino	Compliance	2016 - 2017	1 Year
Ma. Adelina S. Gatdula	55	Filipino	Corporate	2016 - 2017	1 Year
Maureen Christine O. Lizarondo	30	Filipino	Asst. Corporate Secretary	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 2014, Mr. De Ocampo is Chairman of the following PAMI-managed funds: Philam Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc. (President and Director each since 2005), PAMI Global Bond Fund, Inc. (President and Director since 2008), PAMI Asia Balanced Fund, Inc. (President and Director since 2009), PAMI Horizon Fund, Inc. (President and Director since 2011), and PAMI Equity Index Fund, Inc. (President and Director since 2009). 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 Légion 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 the President and Director of the following PAMI-managed funds since 2014: 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, Inc., PAMI Asia Balanced Fund Inc., PAMI Equity Index Fund, Inc., and PAMI Horizon Fund, Inc.

### **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 Asia Balanced Fund Inc., PAMI Horizon Fund Inc., PAMI Global Emerging Markets 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.

**ERIC S. LUSTRE**

Director

Mr. Lustre is the President and Chief Executive Officer of Philam Asset Management, Inc. Prior to his appointment, Mr. Lustre was Head of Corporate Finance and Real Estate of Philam Life's Investments Team. Since he joined Philam Life in 1993, his roles over the years included mortgage finance, fund management (corporate bonds and global bond funds), and real estate management. Eric received his Bachelor's degree of Science in Business Management from The Ateneo de Manila University and a Master's degree in Business Management with a major in Finance at the Asian Institute of Management. He is a director in the following companies representing Philam Life: Phinma Corporation, Philam-Equitable Life Assurance Company, ICCP Holdings, Inc., Science Park of the Philippines, Inc., Regatta Properties, Inc., Beacon Property Ventures, Inc., Pueblo de Oro Development Corporation, Cebu Light Industrial Park, Inc., and RFM-Science Park of the Philippines, 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 October 2015, 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 Asia Balanced Fund, Inc. (since 2009), PAMI Horizon Fund, Inc. (since 2011), and PAMI Equity Index Fund, Inc. (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).

**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 Asia Balanced Fund 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., PNOC-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.

**MA. 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.

### **MAUREEN CHRISTINE O. LIZARONDO**

Assistant Corporate Secretary

Atty. Maureen O. Lizarondo-Medina was born on November 30, 1986. She graduated cum laude with the degree of Bachelor Arts, Major in Political Science, from the University of the Philippines in 2003, and with a Juris Doctor degree, second honors, from the Ateneo de Manila University in 2011. She is currently a Senior Associate at Picazo Buyco Tan Fider & Santos Law Offices. She also serves as Assistant Corporate Secretary of 8990 Holdings, Inc. and the Corporate Secretary of Tullett Prebon (Philippines), Inc. Atty. Lizarondo has served as Assistant Corporate Secretary since April 2017 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 during the past five (5) years 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 annually.

Information as to the aggregate compensation paid or accrued during the last previous fiscal year and the preceding two fiscal years to the PFI Board of Directors is as follows:

<b>Payment Period</b>	<b>Aggregate Amount Received (in thousands Php)</b>
2014	Php1,014
2015	Php1,014
2016	Php1,019
<b>Total</b>	<b>Php3,047</b>

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.

### **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 MARCH 31, 2017)**

<b>TITLE OF CLASS</b>	<b>NAME AND ADDRESS OF RECORD OWNER AND RELATIONSHIP WITH ISSUER</b>	<b>NAME OF BENEFICIAL OWNER &amp; RELATIONSHIP WITH RECORD OWNER</b>	<b>CITIZENSHIP</b>	<b>NO OF SHARES HELD AND OUTSTANDING</b>	<b>PERCENT OF CLASS</b>
Common	THE PHILIPPINE AMERICAN LIFE AND GENERAL INSURANCE CO (PHILAM LIFE) 15F NET LIMA BUILDING 26TH STREET CORNER 5TH AVENUE, BGC, TAGUIG Record Owner is an affiliate of the Issuer.	The Record Owner is also the Beneficial Owner.	Filipino	360,949,910 <sup>17</sup>	54.1240%

**SECURITY OWNERSHIP OF MANAGEMENT (AS OF MARCH 31, 2017)**

<b>TITLE OF CLASS</b>	<b>NAME AND ADDRESS OF OWNER</b>	<b>CITIZENSHIP</b>	<b>AMOUNT &amp; NATURE OF OWNERSHIP (INDICATE RECORD &amp;/OR BENEFICIAL)</b>	<b>PERCENT OF CLASS</b>
Common	Roberto F. De Ocampo Eugenio Lopez Foundation Bldg., Col. Joseph R. McMicking Campus, 123 Paseo de Roxas, Makati City (Chairman)	Filipino	1 R	0.000003%
Common	Reynaldo G. Geronimo No. 5 Zinia St., Valle Verde 2, Pasig City (President)	Filipino	1 R	0.000003%
Common	Eric S. Lustre 17/F Net Lima Bldg., 5th Ave. cor. 26th St., Bonifacio Global City, Taguig (Director)	Filipino	1 R	0.000003%

<sup>17</sup> Of which 297,371,684 are registered shares and 63,578,226 are unregistered shares. Ms. Arleen May S. Guevara is the person with the power to vote and dispose of the shares of the Philippine American Life and General Insurance, Co. Ms. Guevara is the Chief Investment Officer of the said company.

Common	Arleen May S. Guevara 17/F Net Lima Bldg., 5th Ave. cor. 26th St., Bonifacio Global City, Taguig (Director)	Filipino	1	R	0.000003%
Common	Elenita D.G. Villamar 17/F Net Lima Bldg., 5th Ave. cor. 26th St., Bonifacio Global City, Taguig (Treasurer)	Filipino	1	R	0.000003%
Common	Armand F. Braun, Jr. No. 45 Magdalena Circle , Magallanes Village, Makati City (Independent Director)	Filipino	1	R	0.000003%
Common	Meliton B. Salazar, Jr. No. 28 Hunt Street, Filinvest East, Quezon City (Independent Director)	Filipino	1	R	0.000003%
Common	Ma. Adelina S. Gatdula Penthouse Liberty Center 104HV De La Costa St Salcedo Village Makati City (Corporate Secretary)	Filipino	0		0%
Common	Maureen Christine O. Lizarondo- Medina Penthouse Liberty Center 104HV De La Costa St Salcedo Village Makati City (Assistant Corporate Secretary)	Filipino	0		0%
Common	J. Ivan Justiniano 17/F Net Lima Bldg., 5th Ave. cor. 26th St., Bonifacio Global City, Taguig (Compliance Officer)	Filipino	0		0%

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

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

The management fee to be charged by PAMI is a maximum of 2% per year. Sales load for each investment will not be more than 3% (exclusive of VAT). The entry fee is 3%, aggregated of all investments of the client (exclusive of V.A.T). For exit fee, the applicable holding period is six (6) months. Redemptions made within six (6) months are subjected to an exit fee of no more than 1% (exclusive of twelve percent V.A.T.) of the redemption proceeds.

The Market Regulation Department of SEC issued PAMI its license for the current year to operate as an Investment Company Adviser on November 27, 2015, 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 is renewed every November of each year.

### **PAMI Board of Directors**

#### **Ferdinand L. Berba** Chairman of the Board

Mr. Ferdinand Berba is the Chairman of the Board of Philam Asset Management, Inc. He is the Head of AIA-Citi Partnership and Deputy CEO of BPI-Philam. Prior to his appointment, Mr. Berba held the role of CEO of Philam Asset Management, Inc. He has more than 30 years of experience in the financial services 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. Nanjo 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.

#### **Eric S. Lustre**

## President and Chief Executive Officer

Mr. Eric Lustre is the CEO of Philam Asset Management, Inc. Prior to his appointment, Mr. Lustre was Head of Corporate Finance and Real Estate of Philam Life's Investments Team. Since he joined Philam Life in 1993, his roles over the years included mortgage finance, fund management (corporate bonds and global bond funds), and real estate management. Eric received his Bachelor's degree of Science in Business Management from The Ateneo de Manila University and a Master's degree in Business Management with a major in Finance at the Asian Institute of Management. He is a director in the following companies representing Philam Life: Phinma Corporation, Philam-Equitable Life Assurance Company, ICCP Holdings, Inc., Science Park of the Philippines, Inc., Regatta Properties, Inc., Beacon Property Ventures, Inc., Pueblo de Oro Development Corporation, Cebu Light Industrial Park, Inc., and RFM-Science Park of the Philippines, Inc.

### **Gerard Raymond M. Cariaso**

Director

Mr. Cariaso 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. Cariaso was Managing Director of Mercer Philippines, Inc. from 2007 to 2009 and President of Via Sacra, Inc. from 2005 to 2007. Mr. Cariaso 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. Cariaso was Vice President – HR for Rockwell Land Corporation. Mr. Cariaso 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 PFI, 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 PFI 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, dividend/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 PFI.  
Address: 17/F Net Lima Bldg., 5th Ave. cor. 26th St., Bonifacio Global City, Taguig Tel Nos.: (632) 5216300 Fax Nos.: (632) 5285093

**PICAZO LAW**

LEGAL COUNSEL

PICAZO BUYCO TAN FIDER & SANTOS (PICAZO Law) serves as the legal counsel for the Company.

Address: Penthouse, Liberty Center, 104 H.V. Dela Costa St., Salcedo Village, Makati City Tel Nos.: (632) 888-0999 ; 888-0311 Fax Nos.: (632) 888-1012

**ISLA LIPANA**  
EXTERNAL AUDITOR

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

Address: SGV II, 6760 Ayala Ave., Makati City Tel No.: 891-0307

Scope of Service

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

*Audit and Audit-Related Fees*

The following are the aggregate fees billed by the external auditors for each of the last two fiscal years:

<b>YEAR</b>	<b>AMOUNT</b>
2014	Php470,000.00
2015	Php587,829.02
2016	Php402,000.00
<b>Total</b>	<b>Php1,459,829.02</b>

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, PFI External Auditor and 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.

Isla Lipana and PICAZO Law have 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 PFI 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 PFI;
2. Preparation of reports, circulars, notices and other information on internal corporate affairs as may be required by PFI, 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 PFI'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 PFI'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 PFI;
5. Procurement of any and all licenses, permits and authorizations in making, holding and disposing of the investments as well as the distribution of PFI's capital stock;
6. Transactions with stockbrokers for the account of PFI in connection with PAMI's investment and re-investment of PFI'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 PFI, provided that it acts within the limits of the investment policies and guidelines prescribed by PFI's Board of Directors and subject to the provisions of the ICA and the registration statements of PFI.

The Certificates and other evidence of title to assets in the investment portfolio of the Fund shall be under the custody of a Custodian. However, PAMI may, either directly or through the Custodian, take charge of the collection of interests, dividends 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 PFI. PAMI shall use its best efforts to sell PFI 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 Amended 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 PFI's Board of Directors or by a vote of the shareholders holding or representing majority of the outstanding stock of PFI. In a

meeting held on December 10, 2015, the Board of Directors of PFI approved to extend the engagement of PAMI as PFI's Fund Manager for the fiscal year ending 2017.

The Fund Management Agreement may be terminated at any time, upon written notice of not less than 60 days, by PFI's Board of Directors, or by a vote of the shareholders holding or representing majority of the outstanding capital stock of PFI, 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 shall receive a management fee equivalent to a 1/6 of 1% of the average net value of the Fund's assets, computed on a daily basis. "Net Value" shall be determined by computing the total value of the Fund's assets less its liabilities in accordance with the procedure used in computing the Net Asset Value of each share of the Fund. In addition, PAMI is entitled to an incentive fee equivalent to 1/10 of 1% of the appreciation (whether realized or unrealized) in the value of the Fund's net asset value per share in excess of 12% in any calendar year. The Fund Management Agreement provides that in no case may the total compensation to PAMI exceed any maximum limit prescribed under RA 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**

PFI engaged the services of various Citibank branches around the world as custodian of PFI'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, Italy, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Philippines, Portugal, Singapore, Spain, Switzerland, Taiwan, Thailand, United Kingdom and the United States.

The agreement, executed in February 15, 1995 does not provide for a definite term and shall be terminated at the instance of either party. This agreement may be terminated by PFI 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 PFI;
2. Collecting and receiving for the account of PFI all income, payments and distributions in respect of the property held under its custody;
3. Receiving and holding for the account of PFI 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 PFI to each custodian under the agreement varies depending on the country where the custodian bank is located. For instance, in the Philippines, the fee is Php500.00 per transaction, while in the United States, the fee is US\$30 per transaction. In addition, there is a fixed electronic banking fee of US\$300.00 per month and an account maintenance fee of US\$300.00 per month.

### **Service Agreement**

PFI engaged the services of Philam Asset Management Inc. ("PAMI") as Stock Transfer Agent effective April 7, 2016.

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 PFI;
  - b. All unclaimed stock certificates of PFI;
  - c. Corporate seal of PFI; and
  - d. Stock Transfer Journal and Ledgers of PFI.
2. Issuing certificate of stocks of PFI 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 PFI upon receipt thereof and canceling 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.

## 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 5.00% to 32.00% 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 25.00% 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 35.00% (currently scheduled to be reduced to 30.00% beginning in 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 20.00% 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 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 35.00% (currently scheduled to be reduced to 30.00% beginning in 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 20.00% 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 7.50% of such income.

A minimum corporate income tax of 2.00% 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 15.00%. This authority has not been exercised to date.

A final withholding tax of 35.00% 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 10.00%. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20.00% 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 25.00% 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 35.00% until end-2008 (with a reduced final withholding tax at the rate of 30.00% from 2009 onwards).

The 35.00% rate may also be reduced to 15.00% 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 20.00%. Effective on January 1, 2009, the credit against the tax due shall be 15.00%.

The 35.00% 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 non-resident 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 5.00% to 20.00%, 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 2.00% to 15.00% 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 (30.00%) 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 PFI SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NATIONAL TAX LAWS.**

## SIGNATURES

<p><b>ROBERTO F. DE OCAMPO</b> Chairman TIN: 120-115-828</p>	<p><b>REYNALDO G. GERONIMO</b> President and Director TIN: 123-102-993</p>
<p><b>ARLEEN MAY S. GUEVARA</b> Director TIN: 135-913-440</p>	<p><b>ARMAND F. BRAUN, JR.</b> Director TIN: 137-000-213</p>
<p><b>MELITON B. SALAZAR, JR.</b> Director TIN: 144-499-695</p>	<p><b>ERIC S. LUSTRE</b> Director TIN: 107-168-308</p>
<p><b>ELENITA G. VILLAMAR</b> Director and Treasurer TIN: 110-862-513</p>	<p><b>MA. ADELINA S. GATDULA</b> Corporate Secretary TIN: 107-043-114</p>
<p><b>MAUREEN CHRISTINE O. LIZARONDO</b> Assistant Corporate Secretary TIN: 417-735-231</p>	

## ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES )  
MAKATI CITY ) S.S.

Before me, a Notary Public for and in \_\_\_\_\_ this \_\_\_\_ day of \_\_\_\_\_, personally appeared the following:

<b>Name</b>	<b>Identification No.</b>	<b>City</b>	<b>Date Issued</b>
Roberto F. de Ocampo	EC6721113	NCR Central	10 Feb 2016
Reynaldo G. Geronimo	EC2113508	Manila	16 Sept 2014
Arleen May S. Guevara	EB6348267	Manila	14 Sept 2012
Ferdinand L. Berba	EB6080888	Manila	03 Aug 2012
Elenita G. Villamar	EC6020576	Manila	02 Dec 2015
Armand F. Braun, Jr.	EB7437939	Manila	20 Feb 2013
Meliton B. Salazar, Jr.	EC6631952	NCR East	28 Jan 2016
Ma. Adelina S. Gatdula	EB7291992	Manila	04 Feb 2013
Maureen Christine O. Lizarondo	EC7916069	Pampanga	04 June 2016

Known to me and to me known to be the same persons who executed the forgoing instruments and they acknowledged to me that the same is their free and voluntary act and deed

WITNESS MY HAND AND SEAL on the date and place first above-mentioned.

Doc. No. \_\_\_\_;  
Page No. \_\_\_\_;  
Book No. \_\_\_\_;  
Series of 2017.