

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

S	U	N		L	I	F	E		O	F		C	A	N	A	D	A		P	R	O	S	P	E	R	I	T	Y		
B	A	L	A	N	C	E	D		F	U	N	D		I	N	C	.													

Principal Office (No./Street/Barangay/City/Town)Province)

S	U	N	L	I	F	E		C	E	N	T	R	E		S	T	H		A	V	E	.		C	O	R	.		
R	I	Z	A	L		D	R	I	V	E	,		B	O	N	I	F	A	C	I	O		G	L	O	B	A	L	
C	I	T	Y	,		T	A	G	U	I	G		C	I	T	Y													

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, if Applicable

N/A

COMPANY INFORMATION

Company's Email Address

sunlife_sec_communications@sunlife.com
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Company's Telephone Number/s

8555-8888

Mobile Number

0999-991-7178

No. of Stockholders

54,620

Annual Meeting
Month/Day

Every Fourth Monday of May

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

JEANEMAR S. TALAMAN

Email Address

Jeanemar.Talaman@sunlife.com
--

Telephone Number/s

8555-8888

Mobile Number

N/A

Contact Person's Address

SUN LIFE CENTRE, 5TH AVE. COR. RIZAL DRIVE, BONIFACIO GLOBAL CITY, TAGUIG CITY
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Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated

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



SECURITIES AND EXCHANGE COMMISSION

THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph



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Company Information

SEC Registration No.: A199908713

Company Name: SUN LIFE OF CANADA PROSPERITY BALANCED FUND INC.

Industry Classification: J67000

Company Type: Stock Corporation

Document Information

Document ID: OST10415202583176149

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2024

Submission Type: Annual

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Acceptance of this document is subject to review of forms and contents

Elyza Jane Endaya

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Submission Date/Time: **Apr 15, 2025 12:58 AM**

Company TIN: **204-583-064**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
SUN LIFE OF CANADA PROSPERITY BALANCED FUND, INC.
(An Open-end Investment Company)
Sun Life Centre, 5th Avenue corner Rizal Drive
Bonifacio Global City, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sun Life of Canada Prosperity Balanced Fund, Inc. (the Company), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2024, 2023 and 2022, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years ended December 31, 2024, 2023 and 2022, in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

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

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Other Information

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 17-A Annual Report submission to the SEC, which is prepared by the Management and submitted after the issuance of the audited financial statements with our auditor's report attached thereon.

The SEC Form 17-A is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the other information identified above which have not yet been received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Report on the Supplementary Information Required by the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 23 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navarro Amper & Co.

BOA/PRC ACR. No. 0004, valid until September 22, 2027



Lloyd Ryan C. Moraño

Partner

CPA Certificate No. 0108235

TIN 226-565-008

BIR ACR. No. 08-002552-090-2023, March 10, 2023; effective until March 9, 2026

BOA/PRC ACR. No. 0004/P-014, valid until September 22, 2027

PTR No. A-6396519, January 4, 2025, Taguig City

Taguig City, Philippines

March 31, 2025



SUN LIFE OF CANADA PROSPERITY BALANCED FUND, INC.
(An Open-end Investment Company)

STATEMENTS OF FINANCIAL POSITION

		December 31	
	Notes	2024	2023
ASSETS			
Current Assets			
Cash and cash equivalents	6	P 57,115,943	P 61,622,135
Financial assets at fair value through profit or loss	8	5,686,366,438	6,333,150,697
Financial assets at amortized cost	9	43,313,000	85,735,688
Due from brokers	10	7,378,700	48,501,636
Accrued interest receivable	7	31,567,860	39,091,554
Dividends receivable	8	1,287,350	2,510,356
Other current assets		1,757,774	1,435,337
Total Current Assets		5,828,787,065	6,572,047,403
Non-current Asset			
Financial assets at amortized cost	9	146,442,411	194,504,668
		P5,975,229,476	P6,766,552,071
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued expenses and other payables	11	P 9,915,470	P 8,821,588
Due to brokers	10	7,378,700	5,883,249
Payable to fund manager	12	11,831,462	12,740,152
Total Current Liabilities		29,125,632	27,444,989
Equity			
Share capital	13	48,379,352	48,379,352
Additional paid-in capital	14	12,254,184,380	12,264,228,552
Retained earnings		5,259,119,441	5,075,332,510
		17,561,683,173	17,387,940,414
Treasury shares	13	(11,615,579,329)	(10,648,833,332)
Total Equity		5,946,103,844	6,739,107,082
		P5,975,229,476	P6,766,552,071
Net Asset Value Per Share	15	P 3.4937	P 3.4081

See Notes to Financial Statements.

SUN LIFE OF CANADA PROSPERITY BALANCED FUND, INC.
(An Open-end Investment Company)

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31

	Notes	2024	2023	2022
Investment Income - net				
Net realized gains (loss) on investments	8	P 8,797,244	(P 44,613,079)	(P 154,232,877)
Interest income	16	182,133,491	191,973,530	151,384,788
Dividend income	8	96,543,401	90,997,623	105,641,047
Other income		5,816	286,434	2,389
		287,479,952	238,644,508	102,795,347
Investment Expenses				
Commission	10	6,269,985	13,159,056	16,974,997
Clearing fees		312,423	502,367	672,793
		6,582,408	13,661,423	17,647,790
Net Investment Income		280,897,544	224,983,085	85,147,557
Operating Expenses				
Management and transfer fees	12	83,980,235	90,533,496	97,008,634
Distribution fees	12	73,026,291	78,722,950	84,295,168
Custodianship fees		994,582	1,141,166	1,598,527
Taxes and licenses		781,568	786,365	797,822
Professional fees		334,082	310,774	292,410
Directors fees	12	254,905	254,740	254,856
Reversal of expected credit losses	9, 21	(114,743)	(304,618)	(1,577,633)
Printing and supplies		67,668	28,654	30,799
Miscellaneous		85,227	46,077	53,550
		159,409,815	171,519,604	182,754,133
Profit (Loss) Before Net Unrealized Gains (Losses) on Investments		121,487,729	53,463,481	(97,606,576)
Net Unrealized Gains (Loss) on Investments	8	103,651,098	145,540,790	(450,210,232)
Profit (Loss) Before Tax		225,138,828	199,004,271	(547,816,808)
Income Tax Expense	19	41,351,897	45,557,031	39,098,306
Total Comprehensive Income (Loss) for the Period		P 183,786,931	P 153,447,240	(P 586,915,114)
Basic Earnings (Loss) per Share	17	P 0.099	P 0.073	(P 0.263)
Diluted Earnings (Loss) per Share	17	P 0.099	P 0.073	P (0.263)

See Notes to Financial Statements.

SUN LIFE OF CANADA PROSPERITY BALANCED FUND, INC.
(An Open-end Investment Company)

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31

			Share Capital	Additional Paid-in Capital	Retained Earnings	Treasury Shares	Total
Balance, January 1, 2022	13, 14	P	48,379,352	P12,242,635,177	P5,508,800,384	(P9,621,324,519)	P8,178,490,394
Total Comprehensive Loss for the Year			-	-	(586,915,114)	-	(586,915,114)
Transactions with owners:	13, 14						
Acquisition of treasury shares during the year			-	-	-	(551,623,682)	(551,623,682)
Reissuance of treasury shares during the year			-	32,201,816	-	165,524,238	197,726,054
Total transactions with owners			-	32,201,816	-	(386,099,444)	(353,897,628)
Balance, December 31, 2022	13, 14		P48,379,352	P12,274,836,993	P4,921,885,270	(P10,007,423,963)	7,237,677,652
Net Income for the period			-	-	153,447,240	-	153,447,240
Transactions with owners:	13, 14						
Acquisition of treasury shares during the period			-	-	-	(794,350,394)	(794,350,394)
Reissuance of treasury shares during the period			-	(10,608,441)	-	152,941,025	142,332,584
Total transactions with owners			-	(10,608,441)	-	(641,409,369)	(652,017,810)
Balance, December 31, 2023	13, 14	P	48,379,352	P12,264,228,552	P5,075,332,510	(P10,648,833,332)	P6,739,107,082
Net income for the period			-	-	183,786,931	-	183,786,931
Transactions with owners:	13, 14						
Acquisition of treasury shares during the period			-	-	-	(1,160,147,463)	(1,160,147,463)
Reissuance of treasury shares during the period			-	(10,044,172)	-	193,401,466	183,357,294
Total transactions with owners			-	(10,044,172)	-	(966,745,997)	(976,790,169)
Balance, December 31, 2024	13, 14		P48,379,352	P12,254,184,380	P5,259,119,441	(P11,615,579,329)	P5,946,103,844

See Notes to Financial Statements.

SUN LIFE OF CANADA PROSPERITY BALANCED FUND, INC.
(An Open-end Investment Company)

STATEMENTS OF CASH FLOWS

		For the Years Ended December 31		
	Notes	2024	2023	2022
Cash Flows from Operating Activities				
Profit (Loss) before tax		P 225,138,828	P 199,004,271	(P 547,816,808)
Adjustments for:				
Net unrealized (gains) losses on investments	8	(103,651,098)	(145,540,790)	450,210,232
Net realized (gains) losses on investments	8	(8,797,244)	44,613,079	154,232,877
Interest income	16	(182,133,491)	(191,973,530)	(151,384,788)
Dividend income	8	(96,543,401)	(90,997,623)	(105,641,047)
Reversal of expected credit losses	9, 21	(114,743)	(304,618)	(1,577,633)
Operating cash flows before working capital changes		(166,101,150)	(185,199,211)	(201,977,167)
Increase in:				
Other current assets		(322,437)	(319,580)	(356,696)
Increase (Decrease) in:				
Accrued expenses and other payables		1,093,882	(1,376,643)	(623,032)
Due to brokers		1,495,451		28,330,365
Payable to fund manager		(908,690)	(1,397,716)	(1,619,285)
Cash used in operations		(164,742,944)	(188,293,150)	(176,245,815)
Acquisitions of financial assets at fair value through profit or loss	8	(4,341,954,534)	(7,070,554,048)	(11,175,560,542)
Proceeds from disposal of financial assets at fair value through profit or loss		5,142,310,072	7,602,692,924	11,353,512,610
Interest received		189,471,743	186,036,253	143,788,661
Dividends received		97,766,407	89,831,245	106,321,845
Income taxes paid	19	(41,351,897)	(45,557,031)	(38,823,513)
Net cash generated from operating activities		881,498,847	574,156,193	212,993,246
Cash Flows from Investing Activities				
Investment in corporate loans		-	-	(38,000,000)
Proceeds from principal collections of loan receivables	9	90,785,130	33,032,107	174,360,107
Net cash generated from investing activities		90,785,130	33,032,107	136,360,107
Cash Flows from Financing Activities				
Proceeds from reissuance of treasury shares	13	183,357,294	142,332,584	197,726,054
Payments for acquisition of treasury shares	13, 14	(1,160,147,463)	(794,350,394)	(551,623,682)
Net cash used in financing activities		(976,790,169)	(652,017,810)	(353,897,628)
Net Decrease in Cash and cash equivalents		(4,506,192)	(44,829,510)	(4,544,275)
Cash and cash equivalents, Beginning		61,622,135	106,451,645	110,995,920
Cash and cash equivalents, End		P 57,115,943	P 61,622,135	P 106,451,645

See Notes to Financial Statements.

SUN LIFE OF CANADA PROSPERITY BALANCED FUND, INC.

(An Open-end Investment Company)

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2024 AND 2023 AND FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 and 2022

1. CORPORATE INFORMATION

Sun Life of Canada Prosperity Balanced Fund, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 21, 1999 and started commercial -operations on May 1, 2000. The Company is a registered open-end investment company under the Investment Company Act (Republic Act "R.A." No. 2629) and the Securities Regulation Code (R.A. No. 8799), formerly known as the Revised Securities Act (B.P. No. 178). It is engaged in the sale of redeemable shares and is designed to provide total returns consisting of current income and capital growth through investment in a mix of debt and equity securities from both domestic and foreign issuers. As an open-end investment company, its shares are redeemable anytime based on the Net Asset Value Per Share (NAVPS) at the time of redemption.

The Company appointed Sun Life Asset Management Company, Inc. (SLAMCI), an investment management company incorporated in the Philippines and a wholly owned subsidiary of Sun Life of Canada (Philippines), Inc. (SLOCPI), as its fund manager, adviser, administrator, distributor and transfer agent and provider of management, distribution and all required operational services, as disclosed in Note 12.

The Company's registered office address and principal place of business is at the 2nd Floor, Sun Life Centre, 5th Avenue corner Rizal Drive, Bonifacio Global City, Taguig City.

The Company is considered a public company under Rule 3.1 of the Implementing Rules and Regulations of the Revised Securities Regulation Code (SRC), which, among others, defines a public corporation as any corporation with assets of at least P50,000,000 and having 200 or more shareholders, each of whom holds at least 100 shares of its equity securities.

As at December 31, 2024 and 2023, the Company has 54,620 shareholders and 54,120 shareholders, respectively, each holding at least 100 shares of the Company's common shares.

2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

The financial statements of the Company have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards include all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and the Board of Accountancy and adopted by the SEC.

Basis of Preparation and Presentation

The financial statements of the Company have been prepared on the historical cost basis, except for certain financial assets measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Functional and Presentation Currency

These financial statements are presented in Philippine peso, the currency of the primary economic environment in which the Company operates. All amounts are recorded to the nearest peso, except when otherwise indicated.

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Adoption of Amended Accounting Standards Effective in 2024

In the current year, the Company has applied all amendments to PFRS Accounting Standards that are mandatorily effective for accounting periods beginning on or after January 1, 2024. Their adoption had no material impact on the disclosures or the amounts reported in these financial statements.

New and Revised Accounting Standards Effective after the Reporting Period Ended December 31, 2024

At the date of authorization of these financial statements, the company has not applied the following PFRS Accounting Standards pronouncements that have been issued but are not yet effective:

Effective for annual period beginning or after January 1, 2025

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

Effective for annual period beginning or after January 1, 2026

- Amendments to PFRS 9, *Financial Instruments* and PFRS 7, *Financial Instruments: Disclosures - Classification and Measurement of Financial Instruments*
- Annual Improvements to PFRS Accounting Standards—Volume 11
- Amendments to PFRS 9, *Financial Instruments* and PFRS 7 *Financial Instruments: Disclosures - Contracts Referencing Nature-dependent Electricity*

Effective for annual period beginning or after January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability: Disclosures*
- PFRS 17, *Insurance Contracts*
- Amendments to PFRS 17, *Insurance Contracts*
- Amendment to PFRS 17, *Insurance Contracts - Initial Application* and PFRS 9, *Financial Instruments - Comparative Information*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Management anticipates that the adoption of the new or revised PFRS Accounting Standards in future periods will not have a material impact on the financial statements in the period of their initial adoption.

4. MATERIAL ACCOUNTING POLICIES

Financial assets

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial

assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVTPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

Classification and Subsequent Measurement

The Company classifies its financial assets in the following measurement categories:

- FVTPL
- Amortized cost

Classification of financial assets will be driven by the entity's business model for managing the financial assets and the contractual cash flows of the financial assets.

A financial asset is to be measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument represent solely payment of principal and interest (SPPI).

All other debt and equity instruments must be recognized at fair value.

All fair value movements on financial assets are taken through the statement of comprehensive income, except for equity investments that are not held for trading, which may be recorded in the statement of comprehensive income or in reserves (without subsequent recycling to profit or loss).

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the group classifies its debt instruments:

- Amortized cost. Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- FVTPL. Assets that do not meet the criteria for amortized cost are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of comprehensive income within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in finance income.

Amortized cost and effective interest method

For financial instruments, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (ECL), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost. For financial instruments, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Equity instruments

Equity instruments do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Company subsequently measures all equity investments at FVTPL, except where the Company's Management has elected, at initial recognition, to irrevocably designate an equity instrument at FVTOCI. The Company's policy is to designate equity investments as FVTOCI when those investments are held for the purposes other than to generate investment returns.

As at December 31, 2024 and 2023, the Company does not have financial assets classified as FVTOCI.

Changes in the fair value of financial assets measured at FVTPL are recognized in the statements of profit or loss. These changes are reported as either net realized gains (losses) or unrealized gains (losses) on investments, as appropriate.

Impairment of financial assets

The Company recognizes a loss allowance for ECL on investments in debt instruments that are measured at amortized cost.

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

The Company monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument (e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost);
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the assets.

Derecognition

The Company derecognizes a financial asset only when the contractual rights to the asset's cash flows expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss, but is transferred to retained earnings.

Financial Liabilities and Equity Instruments

Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are measured at fair value, with any gains/losses arising on remeasurement recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

In making the determination of whether recognizing changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Company assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. This determination is made at initial recognition.

Since the company does not have financial liabilities classified at FVTPL, all financial liabilities are subsequently measured at amortized cost.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The Company's financial liabilities classified under this category include accrued expenses and other payables, due to brokers and payable to fund manager.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Share capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. Any excess of proceeds from issuance of shares over its par value is recognized as additional paid-in capital.

Retained earnings

Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Repurchase, disposal and reissuance of share capital (treasury shares)

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable cost, net of any tax effects, is recognized as a reduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognized as increase in equity, and the resulting surplus or deficit on the transaction is presented as additional paid-in capital.

Revenue Recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer.

Transaction price

The Company considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Dividend income

Dividend income from investments is recognized when the shareholders' rights to receive payments have been established, usually at ex-dividend rate, provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Realized gains or losses

Gains or losses arising on the disposal of investments are determined as the difference between the sales proceeds and the carrying amount of the investments and is recognized in profit or loss.

Expense Recognition

Expenses in the statements of comprehensive income are presented using the function of expense method. Investment expenses are transaction costs incurred in the purchase and sale of investments. Operating expenses are costs attributable to the administrative and other business expenses of the Company including management fees and custodianship fees.

Fair Value

In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Related Party Transactions

An entity that is a post-employment benefit plan for the employees of the Company and the key management personnel of the Company are also considered to be related parties.

Taxation

Income tax expense represents the sum of the current tax, final tax and deferred tax expense.

Current tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. In 2024, The Company's current tax expense is calculated using 25% regular corporate income tax (RCIT) rate. In 2023, The Company's current tax expense is calculated using 25% regular corporate income tax (RCIT) rate or 1% minimum corporate income tax (MCIT) rate in July 1, 2020 to June 30, 2023 and 25% RCIT rate or 2% MCIT rate, whichever is higher, effective July 1, 2023, respectively.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises

from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and these relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in OCI or directly in equity, in which case, the current and deferred taxes are also recognized in OCI or directly in equity, respectively.

Earnings (Loss) per Share

The Company computes its basic earnings (loss) per share by dividing profit or loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

For the purpose of calculating diluted earnings (loss) per share, profit or loss for the year attributable to ordinary equity holders of the Company and the weighted average number of shares outstanding are adjusted for the effects of deposit for future subscription which are dilutive potential ordinary shares.

Net Asset Value per Share (NAVPS)

The Company computes its NAVPS by dividing the total net asset value as at the end of the reporting period by the number of issued and outstanding shares and shares to be issued on deposits for future share subscriptions.

Events After the Reporting Period

The Company identifies events after the end of the reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. The financial statements of the Company are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to the financial statements when material.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations, that Management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Company monitors financial assets measured at amortized cost that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

The Company measures its financial assets at amortized cost if the financial asset qualifies for both SPPI and business model test. The Company's business model is to hold the asset and to collect its cash flows which are SPPI. All other financial assets that do not meet the SPPI and business model test are measured at FVTPL.

As at December 31, 2024 and 2023, the Company's financial assets measured at FVTPL amounted to P5,686,366,438 and P6,333,150,697, respectively, as disclosed in Note 8.

As at December 31, 2024 and 2023, the Company's financial assets measured at amortized cost amounted to P287,105,264 and P431,966,037, respectively, composed of cash and cash equivalents, accrued interest receivable, dividends receivable, financial assets at amortized cost and due from brokers, as disclosed in Notes 6, 7, 8, 9 and 10, respectively.

Significant increase of credit risk

ECL is measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. PFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the qualitative and quantitative criteria have been met as disclosed in Note 21.

Models and assumptions used

The Company uses various models and assumptions in measuring the fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

The Company's model and assumptions used in measuring the fair value of financial assets and estimating ECL are disclosed in Notes 18 and 21, respectively.

Puttable shares designated as equity instruments

The Company's share capital met the specified criteria to be presented as equity. The Company designated its redeemable share capital as equity instruments since the Company's share capital met the criteria specified in PAS 32, Financial Instruments: Presentation, to be presented as equity.

A puttable financial instrument includes a contractual obligation for the issuer to repurchase or redeem that instrument for cash or another financial asset on exercise of the put. As an exception to the definition of a financial liability, an instrument that includes such an obligation is classified as an equity instrument if it has met all the following features:

- a. it entitles the holder to a pro rata share of the entity's net assets in the event of the entity's liquidation. The entity's net assets are those assets that remain after deducting all other claims on its assets;
- b. it is in the class of instruments that is subordinate to all other classes of instruments;
- c. all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- d. apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity, and it is not a contract that will or may be settled in the entity's own equity instruments; and
- e. the total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument (excluding any effects of the instrument).

As at December 31, 2024 and 2023, the recognized amount of share capital representing puttable shares in the statements of financial position amounted to P48,379,352 as disclosed in Note 13.

Key Sources of Estimation Uncertainty

The following are the Company's key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

As at December 31, 2024 and 2023, the Company assessed a probability of default of 0.14% and 0.13%, respectively, for all of its financial assets measured at amortized cost.

The assumptions used by the Company in estimating PD is disclosed in Note 21.

Loss Given Default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

The Company uses portfolio averages from external estimates sourced out from Standard and Poor's (S&P) as the LGD estimates. The categorization of LGD estimates per financial asset measured at amortized cost is disclosed in Note 21.

Estimating loss allowance for ECL

The measurement of the ECL allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 21 Credit Risk – ECL measurement, which also sets out the key sensitivities of the ECL to changes in these elements.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the number and relative weightings of forward-looking scenarios and the associated ECL.

As at December 31, 2024 and 2023, the Company's estimated credit losses for financial instruments measured at amortized cost amounted to P256,589 and P371,332, respectively, as disclosed in Notes 9 and 21.

Deferred tax assets

The Company reviews the carrying amount at the end of each reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable profit that will allow all or part of its deferred tax assets to be utilized.

Based on Management's expectation of the Company's future taxable income, the Company did not recognize the deferred tax assets as at December 31, 2024 and 2023, as disclosed in Note 19.

Determining the fair value of investments in debt securities classified as financial assets at FVTPL

The Company carries its investments in traded debt securities at fair value, which requires the use of accounting estimates and judgment. Since market interest rate is a significant component of fair value measurement, fair value would differ if the Company applied a different set of reference rates in the valuation methodology. Any change in the fair value of these financial assets would affect profit or loss and equity.

As at December 31, 2024 and 2023, the carrying amounts of investments in debt securities classified as financial assets at FVTPL amounted to P5,686,366,438 and P6,333,150,697, respectively, as disclosed in Note 8.

6. CASH AND CASH EQUIVALENTS

This account consists of cash in banks amounting to P57,115,943 and P61,622,135 as at December 31, 2024 and 2023.

Cash in banks earned interest amounting to P223,150, P247,577 and P407,709 at average rates of 0.38%, 0.11% and 0.07% in 2024, 2023 and 2022, respectively, as disclosed in Note 16.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Company classifies an investment as cash equivalent if that investment has a maturity of three months or less from the date of acquisition.

Cash equivalents earned interest amounting to P901,913, P13,393,338 and P4,983,877 at average rates of 7.75%, 19.11% and 14.22% in 2024, 2023 and 2022, respectively, as disclosed in Note 16.

7. ACCRUED INTEREST RECEIVABLE

This account consists of accrued interest on the following:

	Notes	2024	2023
Fixed-income securities	8	P 29,605,672	P 32,407,383
Corporate loans	9	1,962,188	6,684,171
		P 31,567,860	P 39,091,554

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of:

	2024	2023
Investments in listed equity securities	P 3,204,405,950	P 3,641,428,051
Investments in fixed-income securities	2,481,960,488	2,691,722,646
	P 5,686,366,438	P 6,333,150,697

Investments in listed-equity securities are composed of ordinary shares.

Investments in fixed income securities are composed of corporate bonds and treasury notes.

The Company recognized dividend income from investments in listed equity securities amounting to P96,543,401, P90,997,623 and P105,641,047 in 2024, 2023 and 2022, respectively. Dividends receivable amounted to P1,287,350 and P2,510,356 as at December 31, 2024 and 2023, respectively.

Interest income earned on fixed-income securities amounted to P164,848,084, P158,781,473 and P121,422,459 in 2024, 2023 and 2022, respectively, as disclosed in Note 16. Average interest rates earned on these investments are also disclosed in Note 16. Accrued interest receivable amounted to P29,605,672 and P32,407,383 as at December 31, 2024 and 2023, respectively, as disclosed in Note 7.

Net gains (losses) on investments recognized in profit or loss arising from financial assets at FVTPL are as follows:

	2024	2023	2022
Net realized gains (losses) on investments in:			
Equity securities	(P 4,277,213)	P 6,455,568	(P 141,973,945)
Fixed-income securities	13,074,457	(51,068,647)	(12,258,932)
	8,797,244	(44,613,079)	(154,232,877)
Net unrealized gains (losses) on investments in:			
Equity securities	134,263,021	5,817,303	(314,966,562)
Fixed-income securities	(30,611,923)	139,723,487	(135,243,670)
	103,651,098	145,540,790	(450,210,232)
	P 112,448,342	P 100,927,711	(P 604,443,109)

Net gains and losses on investments in equity securities are composed of listed equity shares and UITFs while fixed-income securities are composed of corporate bonds and treasury notes.

The movements in the financial assets at FVTPL are summarized as follows:

	2024	2023	2022
Balance, January 1	P 6,333,150,697	P 6,816,144,279	P 7,571,984,919
Additions	4,341,954,534	7,040,207,035	11,175,560,542
Disposal	(5,092,389,891)	(7,668,741,407)	(11,481,190,950)
Unrealized gains (losses)	103,651,098	145,540,790	(450,210,232)
Balance, December 31	P 5,686,366,438	P 6,333,150,697	P 6,816,144,279

The following presents the breakdown of the maturity profile of the principal amounts of fixed-income securities:

	2024	2023
Due in one year or less	P 55,570,000	P 65,570,000
Due after one year through five years	1,305,274,120	1,372,246,120
Due after five years through ten years	758,564,400	765,715,000
Due after ten years	509,200,000	415,892,000
	P 2,628,608,520	P 2,619,423,120

9. FINANCIAL ASSETS AT AMORTIZED COST - net

The account is composed of investments in the following securities:

	Note	2024	2023
Corporate Loans			
Current		P 43,313,000	P 85,735,688
Non-current		146,699,000	194,876,000
Allowance for impairment	21	(256,589)	(371,332)
		P 189,755,411	P 280,240,356

The following are the principal amounts and unamortized premium (discount):

	2024	2023
Principal amounts	P 190,012,000	P 280,582,400
Unamortized premium	-	29,288
	P 190,012,000	P 280,611,688

The movements in the financial assets at amortized cost are summarized as follows:

	Note	2024	2023	2022
Balance, January 1		P 280,240,356	P 312,839,810	P 447,618,992
Additions		-	-	38,000,000
Repayments		(90,785,130)	(33,032,107)	(174,360,107)
Amortization of discount		185,442	128,035	3,292
Reversal of estimated credit loss	21	114,743	304,618	1,577,633
Balance, December 31		P 189,755,411	P 280,240,356	P 312,839,810

Interest earned on financial assets at amortized cost amounted to P16,160,344, P19,551,142 and P24,570,743 in 2024, 2023 and 2022, respectively, as disclosed in Note 16. The average interest rates of financial assets at amortized cost investments are also disclosed in Note 16. Accrued interest receivable amounted to P1,962,188 and P6,684,171 as at December 31, 2024 and 2023, respectively, as disclosed in Note 7.

The amortization of discount of financial assets at amortized cost are summarized as follows:

	2024	2023	2022
Amortization of discount	P185,442	P 128,035	P 3,292

The following presents the breakdown of the maturity profile of the principal amounts of financial assets at amortized cost:

	2024	2023
Due in one year or less	P 37,240,000	P 85,706,400
Due after one year through five years	56,772,000	147,004,000
Due after five years through ten years	96,000,000	47,832,000
	P 190,012,000	P 280,582,400

The Company holds loans receivables from Angat Hydropower Corporation, Vista Land and Lifescapes, Inc., SM Development Corp., Megawide Constructions Corp. and SL Agritech Corporation that carry interest at variable rates. The weighted average interest rate on these securities is 6.79% and 6.43% as at 2024 and 2023, respectively.

The corporate loans have maturity dates ranging between one to ten years from the end of the reporting period. The counterparties have a minimum A credit rating. None of these assets had been past due or impaired at the end of the reporting period.

10. DUE FROM/TO BROKERS

Due from brokers account refers to amounts receivable from brokers arising from the sale of investments processed on or before the reporting period, which are settled three days after the transaction date.

Due from brokers amounted to P7,378,700 and P48,501,636 as at December 31, 2024 and 2023, respectively.

Due to brokers account pertains to amounts payable to brokers for the purchase of investments processed on or before the reporting period, which are settled three days after the transaction date.

Due to brokers amounted to P7,378,700 and P5,883,249 as at December 31, 2024 and 2023, respectively.

Counterparties to the contract are not allowed to offset payable and receivable arising from the purchase and sale of investments.

Commission expense amounting to P6,269,985, P13,159,056 and P16,974,997 in 2024, 2023 and 2022, respectively, are paid to brokers when buying and selling shares.

11. ACCRUED EXPENSES AND OTHER PAYABLES

This account consists of:

	2024	2023
Due to investors	P 8,628,965	P 7,311,667
Withholding and documentary stamp taxes	1,026,061	1,111,104
Professional fees	173,465	310,774
Custodianship fees	55,274	88,043
Others	31,705	-
	P 9,915,470	P 8,821,588

Due to investors account pertains to amounts payable to investors for the redemption of their investments processed on or before the reporting period, which are usually paid three days after the transaction date. Other payables are non-interest bearing and are normally settled within one year.

12. RELATED PARTY TRANSACTIONS

In the normal course of business, the Company transacts with companies which are considered related parties under PAS 24, *Related Party Disclosures*.

The details of transactions with the related parties and the amounts paid or payable are set out below.

Nature of Transaction	Transactions During the Year			Outstanding Payable		Terms	Condition	Notes
	2024	2023	2022	2024	2023			
SLAMCI - Fund Manager Management Distribution and Transfer fees	P157,006,526	P169,256,446	P181,303,802	P11,831,462	P12,740,152	Non-interest bearing; Annual rate of 2.15% of average daily net assets; settled in cash on or before the 15 th day of the following month	Unsecured; unguaranteed;	a
Key Management Personnel Directors' fees	254,905	254,740	254,856	-	-	Payable on demand; Settled in cash	Unsecured; Unguaranteed;	b

Details of the Company's related party transactions are as follows:

a. Investment Management

The Company appointed SLAMCI as its fund manager, adviser, administrator, distributor and transfer agent that provides management, distribution and all required operational services. Under the Management and Distribution Agreement (MDA), SLAMCI receives aggregate fees for these services at an annual rate of 2% (exclusive of VAT) of the net assets attributable to shareholders on each valuation day. Moreover, under the Transfer Agency Agreement, SLAMCI receives aggregate fees for these services at an annual rate of 0.15% (exclusive of VAT) of the net assets attributable to shareholders on each valuation day.

On January 22, 2024, the Board of Directors of the Company and SLAMCI jointly approved to continue its MDA and Transfer Agency Agreements based on the provisions of ICA 2018 IRR (Implementing Rules and Regulations of the Investment Company Act 2018) published by the SEC on January 11, 2018. The agreements shall remain to continue in effect from year to year as approved by the respective Board of Directors of the Company and SLAMCI.

Management, distribution and transfer fees charged by SLAMCI to the Company in 2024, 2023 and 2022 amounted to P157,006,526, P169,256,446 and P181,303,802, respectively. Accrued management fees as at December 31, 2024 and 2023 amounting to P11,831,462 and P12,740,152, respectively, are shown as "Payable to fund manager" in the statements of financial position.

b. Remuneration of Directors

Remuneration of directors is presented in the statements of comprehensive income under "Directors' fees" account amounting to P254,905, P254,740 and P254,856 in 2024, 2023 and 2022, respectively, which are usually paid to directors based on the number of meetings held and attended. There were no accrued directors' fees as at December 31, 2024 and 2023.

Except for the Board of Directors, the Company has no key management personnel and employees. Pursuant to the Company's MDA with SLAMCI, the latter provides all the staff of the Company, including executive officers and other trained personnel.

13. EQUITY

Movements are as follows:

	2024		2023		2022	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized: P0.01 par value						
At January 1	5,000,000,000	P 50,000,000	5,000,000,000	P 50,000,000	5,000,000,000	P 50,000,000
Issued and fully paid: At December 31	4,837,935,154	P 48,379,352	4,837,935,154	P 48,379,352	4,837,935,154	P 48,379,352
Treasury shares: At January 1	2,860,577,353	P 10,648,833,332	2,664,216,848	P10,007,423,963	2,560,432,100	P9,621,324,519
Acquired during the year	326,619,505	1,160,147,463	236,897,250	794,350,394	161,543,191	551,623,682
Reissuance	(51,227,853)	(193,401,466)	(40,536,745)	(152,941,025)	(57,758,443)	(165,524,238)
At December 31	3,135,969,005	P 11,615,579,329	2,860,577,353	P10,648,833,332	2,664,216,848	P10,007,423,963

Fully paid ordinary shares with a par value of P0.01 carry one vote per share and a right to dividends.

Incorporation

The Company was incorporated on December 21, 1999 with 200,000,000 registered shares at an initial par value of P1.00 per share. The SEC approved the change in the par value on October 10, 2008.

Approved changes

On May 13, 2005 and February 12, 2006, the shareholders and the Board of Directors, respectively, approved the reduction of the par value per share from P1.00 to P0.01.

On May 12, 2006, the shareholders approved the blanket increase of the Company's authorized share capital up to 100,000,000,000 shares.

On April 24, 2007, the Board of Directors approved the first tranche of share capital increase by 3,800,000,000 (from 200,000,000 shares to 4,000,000,000 shares both with par value of P0.01). The SEC approved the increase on October 10, 2008 and the registration statements on November 24, 2010.

On March 22, 2013, the Board of Directors approved the second tranche of share capital increase by 1,000,000,000 (from 4,000,000,000 shares to 5,000,000,000 shares both with par value of P0.01).

On December 26, 2013, the Company filed its application to increase its authorized share capital by 1,000,000,000 shares. Said application was favorably endorsed by the SEC's Corporate Finance Department to the Company Registration and Monitoring Department.

The SEC approved the increase in authorized share capital on January 14, 2014 and the registration statements on July 3, 2014.

Current state

As at December 31, 2024, the Company has 1,701,966,149 issued and outstanding shares out of 5,000,000,000 authorized share capital with a par value of P0.01 per share.

The annual summary of the transactions of the Company's outstanding shares is as follows:

Year	NAVPS, end	Issuances	Redemptions	Balances
2010	P2.6305	4,527,863,543	(1,285,564,252)	3,242,299,291
2011	P2.7223	1,042,495,296	(1,099,860,810)	3,184,933,777
2012	P3.4129	1,174,767,734	(861,565,785)	3,498,135,726
2013	P3.3652	501,572,025	-	3,999,707,751
2014	P3.7603	1,259,270,040	(819,345,180)	4,439,632,611
2015	P3.5886	515,695,765	(694,975,648)	4,260,352,728
2016	P3.4914	504,693,229	(1,011,826,420)	3,753,219,537
2017	P3.9963	327,154,676	(854,493,293)	3,225,880,920
2018	P3.6514	507,974,199	(663,354,112)	3,070,501,007
2019	P3.8635	136,914,200	(637,313,671)	2,570,101,536
2020	P3.5733	103,149,322	(274,704,661)	2,398,546,197
2021	P3.5910	95,597,706	(216,640,849)	2,277,503,054
2022	P3.3296	57,758,443	(161,543,191)	2,173,718,306
2023	P3.4081	40,536,745	(236,897,250)	1,977,357,801
2024	P3.4937	51,227,853	(326,619,505)	1,701,966,149

The total number of shareholders as at December 31, 2024, 2023 and 2022 are 54,620, 54,120 and 53,601, respectively.

Redeemable shares

Redeemable shares carry one vote each, and are subject to the following:

a. Distribution of dividends

Each shareholder has a right to any dividends declared by the Company's Board of Directors and approved by 2/3 of its outstanding shareholders.

b. Denial of pre-emptive rights

No shareholder shall, because of his ownership of the shares, has a pre-emptive or other right to purchase, subscribe for, or take any part of shares or of any other securities convertible into or carrying options or warrants to purchase shares of the registrant.

c. Right of redemption

The holder of any share, upon its presentation to the Company or to any of its duly authorized representatives, is entitled to receive, by way of redemption, approximately his proportionate share of the Company's current net assets or the cash equivalent thereof. Shares are redeemable at any time at their net assets value less any applicable sales charges and taxes.

14. ADDITIONAL PAID - IN CAPITAL

Additional paid-in capital of P12,254,184,380, P12,264,228,552 and P12,274,836,993 as at December 31, 2024, 2023 and 2022, respectively, pertains to excess payments over par value from investors and from reissuance of treasury shares.

15. NET ASSET VALUE PER SHARE

NAVPS is computed as follows:

	Note	2024	2023
Total equity		P 5,946,103,844	P 6,739,107,082
Outstanding shares	13	1,701,966,149	1,977,357,801
NAVPS		P 3.4937	P 3.4081

NAVPS is based on issued, outstanding and fully paid shares minus treasury shares. The expected cash outflow on redemption of these shares is equivalent to computed NAVPS as at reporting period.

16. INTEREST INCOME

This account consists of interest income on the following:

	Notes	2024	2023	2022
Fixed-income securities	8	P164,848,084	P158,781,473	P121,422,459
Financial asset at amortized cost	9	16,160,344	19,551,142	24,570,743
Cash equivalents	6	901,913	13,393,338	4,983,877
Cash in banks	6	223,150	247,577	407,709
		P182,133,491	P 191,973,530	P 151,384,788

Interest income is recorded gross of final withholding tax which is shown as "Income Tax Expense" account in the statements of comprehensive income.

Average interest rates of investments and cash in banks in 2024, 2023 and 2022 are as follows:

	Notes	2024	2023	2022
Fixed-income securities	8	7.75%	6.17%	5.94%
Financial asset at amortized cost	9	6.88%	6.43%	5.32%
Cash equivalents	6	1.68%	19.11%	14.22%
Cash in banks	6	0.38%	0.11%	0.07%

17. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the following data:

	2024	2023	2022
Total comprehensive income (loss) for the year	P 183,786,931	P 153,447,240	(P 586,915,114)
Weighted average number of shares:			
Issued and outstanding	1,856,695,988	2,100,938,889	2,231,371,273
Basic earnings (loss) per share	P 0.099	P 0.073	(P 0.263)

As at December 31, 2024 and 2023, the Company has no dilutive potential ordinary shares.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets and liabilities measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value classified under level 1 based on the degree to which the inputs to fair value are observable.

	Note	Level 1
December 31, 2024		
Investment in listed equity securities	8	P 3,204,405,950
Fixed-income securities	8	2,481,960,488
		P 5,686,366,438
December 31, 2023		
Investments in listed equity securities	8	P 3,641,428,051
Fixed-income securities	8	2,691,722,646
		P 6,333,150,697

Listed equity securities are valued at quoted prices as at reporting date.

The fair values of fixed-income securities classified as Level 1 are based on quoted prices of either done deals or bid rates.

Investments in mutual fund and in UITFs are valued at their published Net Assets Values Per Unit (NAVPU) as at reporting date.

Financial assets and liabilities not measured at fair value

The following financial assets and financial liabilities are not measured at fair values on recurring basis but the fair value disclosure is required:

	Note	Carrying Amounts	Fair Values			Total
			Level 1	Level 2	Level 3	
December 31, 2024						
Financial Assets						
Financial asset at amortized cost	9	P189,755,411	P-	P -	P189,755,411	P189,755,411
December 31, 2023						
Financial Assets						
Financial asset at amortized cost	9	P280,240,356	P-	P-	P286,505,763	P286,505,763

Cash and cash equivalents, due from brokers, accrued interest receivable, dividends receivable, accrued expenses and other payables excluding withholding and documentary stamp taxes, due to brokers and payable to fund manager have short-term maturities, hence, their carrying amounts are considered their fair values.

The fair values of corporate loans were determined based on the discounted cash flow analysis using the Company's estimated cost of borrowing of 6.79% and 6.43% in 2024 and 2023, respectively.

There were no transfers between Levels 1, 2 and 3 in 2024 and 2023.

19. INCOME TAXES

Details of income tax expense are as follows:

	2024	2023	2022
Final tax	P 40,866,164	P 45,102,955	P38,668,675
MCIT	485,733	454,076	429,631
	P 41,351,897	P 45,557,031	P39,098,306

The reconciliation between tax expense and the product of accounting profit (loss) multiplied by 25% in 2024, 2023 and 2022 is as follows:

	2024	2023	2022
Accounting profit (loss) before tax	P 225,138,828	P 199,004,271	(P547,816,808)
Tax expense (benefit) at 25%	P 56,284,707	P 49,751,068	(P136,954,202)
Adjustment for income subject to lower tax rate	5,474,730	8,817,313	14,425,690
Tax effects of:			
Net realized losses (gains) on investments	(2,199,311)	11,153,270	38,558,219
Net unrealized losses (gains) on investments	(25,912,775)	(36,385,198)	112,552,558
Unrecognized Net Operating Loss Carry-over (NOLCO)	31,383,349	34,592,063	36,891,080
Dividend income exempt from tax	(24,135,850)	(22,749,406)	(26,410,262)
Unrecognized MCIT	485,733	454,076	429,631
Provision for (Reversal of) estimated credit losses	(28,686)	(76,155)	(394,408)
	P 41,351,897	P 45,557,031	P 39,098,306

On March 26, 2021, the Republic Act (RA) 11534 also known as "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE" Act was passed into law which reduced the corporate income tax rates and rationalized the current fiscal incentives by making it time-bound, targeted and performance-based.

Among others, the Act includes the following significant revisions:

1. Effective July 1, 2020, domestic corporations with total assets not exceeding P100 million and net taxable income of P5 million and below shall be subject to 20% income tax rate while the other domestic corporations and resident foreign corporations will be subject to 25% tax income tax rate;
2. MCIT rate is reduced to from 2% to 1% from July 1, 2020 to June 30, 2023;

Details of the Company's NOLCO from previous years are as follows:

Year of Incurrence	Year of Expiry	Beginning Balance	Addition	Expired	2024 Balance
2022	2025	P 147,564,321	P -	P -	P 147,564,321
2023	2026	138,368,250	-	-	138,368,250
2024	2027	-	125,533,397	-	125,533,397
		P 285,932,571	P 125,533,397	P -	P 411,465,968

Details of the Company's NOLCO covered by Revenue Regulation (RR) No. 25-2020 is as follows:

Year of Incurrence	Year of Expiry	Beginning Balance	Addition	Expired	2024 Balance
2020	2025	P 113,789,577	P -	P -	P 113,789,577
2021	2026	134,138,266	-	-	134,138,266
		P 247,927,843	P -	P -	P 247,927,843

Pursuant to Section 4 COVID-19 Response and Recovery Interventions paragraph (bbbb) of Republic Act No. 11494 also known as "Bayanihan to Recover As One Act" and to RR No. 25-2020 of Bureau of Internal Revenue, the NOLCO incurred by the Company for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

Details of MCIT are as follows:

Year Incurred	Year of Expiry	Amount	Change in tax rate	Applied Current Year	Expired	Unapplied
2021	2024	P 541,764	P -	P -	P -	P 541,764
2022	2025	429,631	-	-	-	429,631
2023	2026	454,076	-	-	-	454,076
2024	2027	485,733	-	-	-	485,733
		P 1,911,204	P -	P -	P -	P 1,911,204

Deferred tax assets on NOLCO and MCIT were not recognized since Management believes that future taxable income will not be available against which the deferred tax asset can be utilized.

The Company's interest income arising from cash in banks, cash equivalents and fixed-income securities and realized gains on sale of listed equity securities are already subjected to final tax and are therefore excluded from the computation of taxable income subject to RCIT and MCIT.

20. CONTINGENCIES

The Company has no pending legal cases as at December 31, 2024 and 2023 that may have a material effect on the Company's financial position and results of operations.

21. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk which includes interest rate and equity price risks, credit risk and liquidity risk. The Fund Manager exerts best efforts to anticipate events that would negatively affect the value of the Company's assets and take appropriate actions to counter these risks. However, there is no guarantee that the strategies will work as intended. The policies for managing specific risks are summarized below.

Market risk

The Company's activities expose it primarily to the financial risks of changes in interest rates and prices of equity securities in the share market and movements in NAVPU of investments in UITF. There has been no change in the manner in which the Company manages and measures the risk.

Interest rate risk

Interest rate risk refers to the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest.

The primary source of the Company's interest rate risk relates to cash in banks, cash equivalents, fixed-income securities and corporate loans. Interest rates of the financial assets are disclosed in Notes 6 and 16.

The risk is managed by the Fund Manager by actively monitoring the prevailing interest rate environment. The duration of the portfolio is reduced during periods of rising rates and widening credit spreads to maximize interest income potential. Conversely, the same is increased during periods of falling rates and narrowing credit spreads.

A 50 basis points increase or decrease in the interest rates had been determined for sensitivity analysis based on the exposure to interest rates for financial assets at FVTPL and loans and receivables at the end of each reporting period. The same is used for reporting interest rate risk internally to key management personnel and represents Management's assessment of the reasonable effect of the maximum possible movement in interest rates.

The following table details the increase or decrease in net profit after tax if interest rates had been 50 basis points higher or lower and all other variables are held constant for the years ended 2024, 2023 and 2022:

Change in Interest rates	Increase (Decrease) in Net Profit or Loss/Equity		
	2024	2023	2022
+50 basis	(55,756,549)	(P54,009,253)	(P43,049,498)
-50 basis	58,006,305	58,860,623	44,441,953

In Management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

Equity price risk

The Company is exposed to equity price risks arising from investments in listed equity securities and investments in UITF. Investments in listed equity securities could either be held for strategic or trading purposes.

The risk is managed by the Fund Manager by actively monitoring the domestic equity market and movements in NAVPU of investments in UITF. Portfolios are traded based on a combination of regularly-carried out fundamental and technical analyses of share prices.

Based on the exposure to equity price risks at the end of each reporting period, if equity prices and NAVPU of investments in UITF had been 2% higher or lower, profit or loss for the years ended December 31, 2024, 2023 and 2022 would have increased or decreased by P62,544,877, P71,074,849 and P82,472,360, respectively.

Other than interest and equity price risks discussed above, there are no other market risks which will significantly affect the Company's performance. In Management's opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of dealing only with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults and transacts only with entities that are rated with the equivalent of investment grade of "High" down to "Low". This information is supplied by independent rating agencies, when available. If the information is not available, the Company uses other publicly available financial information and its own trading records to rate its major counterparties. The Company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread among approved counterparties.

The carrying amounts of financial assets recorded in the financial statements represent the Company's maximum exposure to credit risk:

	Notes	2024	2023
Cash in banks	6	P 57,115,943	P 61,622,135
Financial assets at FVTPL	8	2,481,960,488	2,691,722,646
Financial assets at amortized cost - net	9	189,755,411	280,240,356
Due from brokers	10	7,378,700	48,501,636
Accrued interest receivable	7	31,567,860	39,091,554
Dividends receivable	8	1,287,350	2,510,356
		P 2,769,065,752	P 3,123,688,683

ECL measurement

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

PFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition. The Company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognizing expected credit losses
Stage 1	The counterparty has a low risk of default and does not have any past-due amounts or that the financial instrument is not credit-impaired on initial recognition	12 month ECL
Stage 2	There has been a significant increase in credit risk since initial recognition but not yet deemed to be credit-impaired	Lifetime ECL - not credit-impaired
Stage 3	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery or that the financial instrument is credit-impaired	Lifetime ECL - credit-impaired

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is determined by projecting the PD, LGD and exposure at default (EAD) for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

Given that the Company currently has no history of default on their portfolio, a model which incorporates internal default experience is not feasible. For the 12M and Lifetime PD, the Company uses external benchmarking of current internal credit ratings to Standard and Poor's using one-year transition matrices in S&P's Annual Global Corporate Default Study and Rating Transition reports. From the transition matrices, cumulative PDs are identified. The overall PD for a specific time horizon is calculated from the cumulative PD, by determining the marginal PD and taking the conditional probability of default given that it has not yet defaulted prior to the said time horizon. The resulting overall PDs are the values that will act as components in ECL calculation. The Lifetime PD is developed by analysis of the transition matrices over the maximum life of active loans, which is 9 years.

The table below summarizes the current internal credit rating equivalence system of the Company.

Summary rating	S&P rating	Internal credit rating
High	AAA	AAA
High	AA	AA- to AA+
High	A	A- to A+
High	BBB	BBB- to BBB+
Satisfactory	BB	BB- to B+
Acceptable	B	B- to B+
Low	CCC/C	CCC- to CCC+

The 12M and lifetime EADs are determined based on the contractual repayments owed by the borrower over the 12month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. The Company does not have an undrawn component for any of its debt instruments.

For the 12M and lifetime LGDs, considering the availability of related information, the Company used the external estimates sourced from S&P's.

The table below summarized the LGD value for each category of financial assets at amortized costs.

Category	LGD value
Loans	27%

Forward-looking information incorporated in the ECL models

The assessment of significant increase in credit rating and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio. The Company assessed that the key economic variables are unemployment rates for 2024 and 2023.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are based on the economic data from the International Monetary Fund (IMF) from year 2023 until 2027. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of EAD and LGD.

In addition to the base economic scenario, the best value economically spanning from the historical years is taken (upside forecasts). A similar approach applies for the downside forecasts. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The per-scenario Forward Looking Adjustments were assigned probability weights of 70% for the base scenario and 15% for each of the upside and downside forecast in 2024 and 2023.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The following table details the credit quality of the Company's financial assets and other items, as well as the Company's maximum credit exposure to credit risk by credit risk rating grades as at December 31, 2024 and 2023:

	Notes	Internal Credit rating	Category	12m or lifetime ECL?	Gross carrying amount	Loss allowance	Net carrying amount
2024							
Cash in banks	6	AAA	Stage 1	12-month ECL	P 57,115,942.00	P -	P 57,115,942.00
Financial asset at AC	9	A	Stage 1	12-month ECL	133,240,000.00	133,063	133,106,937.00
Financial asset at AC	9	AA, A	Stage 2	Lifetime ECL	56,772,000.00	143,526	56,628,474.00
Due from brokers	10	AAA	Stage 1	12-month ECL	7,378,700.00	-	7,378,700.00
Accrued interest receivable	7	AAA	Stage 1	12-month ECL	31,567,860.00	-	31,567,860.00
Dividends receivable	8	AAA	Stage 1	12-month ECL	1,287,350.00	-	1,287,350.00
					P287,361,853.00	P276,589	P 287,085,264.00
2023							
Cash in banks	6	AAA	Stage 1	12-month ECL	P 61,622,135	P -	P 61,622,135
Financial asset at AC	9	A	Stage 1	12-month ECL	160,984,288	169,542	160,814,746
Financial asset at AC	9	AA, A	Stage 2	Lifetime ECL	119,627,400	201,790	119,425,610
Due from brokers	10	AAA	Stage 1	12-month ECL	48,501,636	-	48,501,636
Accrued interest receivable	7	AAA	Stage 1	12-month ECL	39,091,554	-	39,091,554
Dividends receivable	8	AAA	Stage 1	12-month ECL	2,510,356	-	2,510,356
					P 432,337,369	P 371,332	P 431,966,037

The movements in the ECL recognized for the year are summarized as follows:

	Gross Carrying Amount			ECL		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
January 1, 2023	P 174,816,759	P 138,699,000	P 313,515,760	P 225,893	P 450,057	P 675,950
Additions	-	-	-	-	-	-
Disposals	(13,832,471)	(19,071,600)	(32,904,072)	(56,351)	(248,267)	(304,618)
Transfers between stages	-	-	-	-	-	-
December 31, 2023	P 160,984,288	P 119,627,400	P 280,611,688	P 169,542	P 201,790	P 371,332
Additions	-	-	-	-	-	-
Disposals	(27,744,288)	(62,855,400)	(90,599,688)	(56,479)	(58,264)	(114,743)
Transfers between stages	-	-	-	-	-	-
December 31, 2024	133,240,000	56,772,000	190,012,000	113,063	143,526	256,589

Liquidity risk

Liquidity risk arises when the Company encounters difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company aims to maintain an appropriate level of liquidity which means having sufficient liquidity to be able to meet all obligations promptly under foreseeable adverse circumstances, while not having excessive liquidity.

The Company maintains at least ten percent of the fund in liquid/semi-liquid assets in the form of cash and cash equivalents, special savings deposits, listed equity securities, government debt securities, accrued interest receivable, dividend receivable, and other collective schemes wholly invested in liquid/semi-liquid assets to assure necessary liquidity. This is also in compliance to Section 6.10 of the Implementing Rules and Regulations of the Investment Company Act series of 2018.

The Fund Manager manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table had been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Less than One Month	One Month to One Year	Total
2024			
Accrued expenses and other payables	P 8,628,965	P 260,444	P 8,889,409
Due to brokers	7,378,700	-	7,378,700
Payable to fund manager	11,831,462	-	11,831,462
	P 27,839,126	P 260,444	P 28,099,570
2023			
Accrued expenses and other payables	P 7,311,667	P 398,817	P 7,710,484
Due to brokers	5,883,249	-	5,883,249
Payable to fund manager	12,740,152	-	12,740,152
	P 25,935,068	P 398,817	P 26,333,885

The difference between the carrying amount of accrued expenses and other payables disclosed in the statements of financial position and the amount disclosed in this note pertains to withholding and documentary stamp taxes that are not considered financial liabilities.

The following table details the Company's expected maturity for its financial assets. The table had been drawn up based on the contractual maturities of the financial assets including interest that will be earned on those assets, except when the Company anticipates that the cash flows will occur in a different period.

	Average Effective Interest Rate	Less than One Year	One to Five Years	Five to Ten Years	More than Ten Years	Total
2024						
Cash in banks	0.37%	57,115,942	-	-	-	57,115,942
Financial assets at FVTPL	6.57%	18,330,000	1,248,502,120	662,564,400	509,200,000	2,438,596,520
Financial assets at AC	4.18%	43,313,000	106,763,000	39,936,000	-	190,012,000
Due from brokers		7,378,700	-	-	-	7,378,700
Accrued interest receivable		31,567,861	-	-	-	31,567,861
Dividends receivable		1,287,350	-	-	-	1,287,350
		158,992,853	1,355,265,120	702,500,400	509,200,000	2,725,958,373
2023						
Cash in banks	0.11%	P 61,622,135	P -	P -	P -	P 61,622,135
Financial assets at FVTPL	6.17%	67,191,367	1,377,598,454	768,698,783	417,429,201	2,630,917,805
Financial asset at AC	6.43%	98,611,698	18,375,831	54,203,228	-	171,190,757
Due from brokers		48,501,636	-	-	-	48,501,636
Accrued interest receivable		39,091,554	-	-	-	39,091,554
Dividends receivable		2,510,356	-	-	-	2,510,356
		P 317,528,746	P 1,395,974,285	P 822,902,011	P 417,429,201	P 2,953,834,243

The Company expects to meet its obligations from operating cash flows and proceeds from maturing financial assets and sale of financial assets at FVTPL.

22. CAPITAL RISK MANAGEMENT

The Fund Manager manages the Company's capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the mix of high-quality debt and equity securities from domestic issuers.

The Company is guided by its Investment Policies and Legal Limitations. All the proceeds from the sale of shares, including the original subscription payments at the time of incorporation constituting the paid-in capital, is held by the pertinent custodian banks.

The capital structure of the Company consists of issued capital as disclosed in Note 13.

The Fund Manager manages the Company's capital and NAVPS, as disclosed in Notes 13, 14 and 15 to ensure that the Company's net asset value remains competitive and appealing to prospective investors.

The Company is also governed by the following fundamental investment policies:

- It does not issue senior securities;
- It does not intend to incur any debt or borrowing. In the event that borrowing is necessary, it can do so only if, at the time of its incurrence or immediately thereafter, there is asset coverage of at least 300% for all its borrowings;
- It does not participate in any underwriting or selling group in connection with the public distribution of securities, except for its own share capital;
- It generally maintains a diversified portfolio. Industry concentrations may vary at any time depending on the investment manager's view on the prospects;
- It does not invest more than twenty percent (20%) of its net assets in real estate properties and developments, subject to investment restrictions and/or limitations under applicable law, if any;
- It does not purchase or sell commodity futures contracts;
- The asset mix in each type of security is determined from time to time, as warranted by economic and investment conditions;
- Subscribers are required to settle their subscriptions in full upon submission of their application for subscriptions;

- i. It may use various techniques to hedge investment risks; and
- j. It does not change its investment objectives without the prior approval of a majority of its shareholders and prior notice to the SEC.

The Investment Policies refer to the following:

- a. Investment Objective - To provide moderate growth and a steady income stream through investments in high quality equity securities and high quality corporate and government debt securities.
- b. Benchmark - the fund's performance is measured against 50% PSE Index and 48% Bloomberg Sovereign Bond Index 1-5 Year, net of tax (adjusted by Sun Life) and 2% Philippine Peso Time Deposit Rate 1 Month to 3 Months, net of tax.
- c. Asset Allocation Range - the Company allocates its funds available for investments among cash and other deposit substitute, fixed-income securities and equity securities based on certain proportion as approved by Management.

Other matters covered in the investment policy include the fees due to be paid to the Fund Manager with management and distribution fees each set at an annual rate of 2% of the net assets attributable to shareholders on each valuation day.

In compliance with SEC Memorandum Circular No. 21, Series of 2019 signed on September 24, 2019 in relation to independent Net Asset Value (NAV) calculation, SLAMCI (Fund Manager) engaged Citibank, N.A. Philippines to service its fund accounting functions including calculation of its NAV every dealing day. In December 2020, SLAMCI implemented the outsourced fund accounting to all Sun Life Prosperity Funds.

As at December 31, 2024 and 2023, the Company is in compliance with the above requirements and minimum equity requirement of the SEC of P50,000,000 pursuant to Section 3 of SEC Memorandum Circular No.33-2020.

The equity ratio at year-end is as follows:

	2024	2023
Equity	P 5,946,103,844	P 6,739,107,082
Total assets	5,975,229,476	6,766,552,071
Equity ratio	0.9951:1	0.9959:1

Management believes that the above ratios are within the acceptable range.

23. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR) UNDER REVENUE REGULATIONS NO. 15-2010

The following information on taxes and license fees paid or accrued during the 2024 taxable year is presented for purposes of filing with the BIR and are not a required part of the basic financial statements.

Documentary stamp tax

Documentary stamp taxes incurred by the Company during 2024 amounted to P41,334 representing taxes in connection with the issuance of share certificates by the Company to its shareholders. The documentary stamp tax paid by the Company to the BIR includes those charged against the shareholders' investment for share certificate issuances in excess of ten (10) inter-fund transfers per calendar year.

Other taxes and licenses

Details of other taxes and licenses and permit fees paid or accrued in 2024 are as follows:

Charged to Operating Expenses	
Business tax	P 694,659
Filing and registration fees	35,075
Residence or community tax	10,500
	P 740,234

Withholding taxes

Withholding taxes paid and accrued and/or withheld consist of:

	Paid	Accrued	Total
Expanded withholding taxes	P 11,568,945	P 1,023,351	P 12,592,296

Deficiency tax assessments

The Company has no tax assessments and tax cases in 2024.

24. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company have been approved and authorized for issuance by the Board of Directors on March 25, 2025.
