

# COVER SHEET

**CS201215846**

S.E.C. Registration Number

**SUN LIFE PROSPERITY DYNAMIC**  
**INC.**

**8TH FLR. SUNLIFE CENTRE 5TH**  
**AVE BONIFACIO GLOBAL FORT**  
**BONIFACIO TAGUIG CITY**

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

**Jeanemar S. Talaman**  
Contact Person

**555-8888**  
Company Telephone Number

**1 2**    **3 1**  
Month    Day

Fiscal Year

**SEC FORM 17Q**

FORM TYPE

     
Month    Day

Annual Meeting

Mutual Fund Company

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

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LCU

Document I.D.

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Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SEC Number: CS201215846

File Number: \_\_\_\_\_

**SUN LIFE PROSPERITY DYMANIC FUND, INC.**

(Company's Full Name)

8<sup>th</sup> Floor Sun Life Centre 5<sup>th</sup> Avenue cor Rizal Drive Bonifacio Global City, Taguig City,  
Philippines

-----  
(Company's Address)

555-88-88

-----  
(Telephone No.)

December 31

-----  
(Fiscal Year Ending)  
(Month & Day)

SEC FORM 17-Q

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Form Type

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Amendment Designation (If applicable)

March 31, 2017

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Period Ended Date

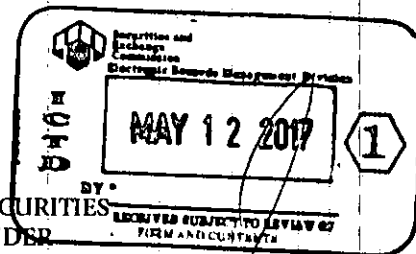
OPEN-END INVESTMENT COMPANY

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Secondary License Type and File Number

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER



- 1. For the quarterly period ended: March 31, 2017
- 2. Commission identification number: CS201215846. BIR Tax Identification No: 008-357-526-000
- 4. Exact name of issuer as specified in its charter

Sun Life of Canada Prosperity Dynamic Fund, Inc.

- 5. Province, country or other jurisdiction of incorporation or organization
- 6. Industry Classification Code: (SEC Use Only)

Philippines

- 7. Address of issuer's principal office: Postal Code

8F Sun Life Centre 5<sup>th</sup> Avenue cor Rizal Drive Bonifacio Global City, Taguig City 1634

- 8. Issuer's telephone number, including area code

(02) - 555-8888

- 9. Former name, former address and former fiscal year, if changed since last report

N.A.

- 10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<u>Common Shares (Unclassified)</u>	<u>3,031,391,923 shares</u> <u>(as of March 31, 2017)</u>

- 11. Are any or all of the securities listed on a Stock Exchange?

Yes [ ] No [x]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

- 12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [x] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

SUN LIFE PROSPERITY DYNAMIC FUND, INC.  
(An Open-end Investment Company)

## STATEMENT OF FINANCIAL POSITION

As at March 31, 2017 and December 31, 2016

	MDAS	March 2017 (Unaudited)	December 2016 (Audited)
<b>ASSET</b>			
Cash in bank	1.1	P258,695,155	7,835,375
Financial assets at fair value through profit or loss	1.2	2,540,199,772	2,729,224,976
Accrued interest receivable	1.3	39,649,903	9,128,147
Dividends receivable	1.4	8,136,414	2,443,688
Prepayments and other current assets	1.5	151,503	5,512
Due from brokers	1.6	6,435,355	19,285,562
		<b>P2,853,268,102</b>	<b>P2,767,923,260</b>
<b>LIABILITY</b>			
<b>Current Liabilities</b>			
Accrued expenses and other payables	1.7	2,987,847	1,739,316
Income tax payable		119,041	119,041
Due to brokers	1.8	42,414,949	-
Payable to fund manager		7,204,292	7,251,802
Total Current Liabilities		<b>52,726,129</b>	<b>9,110,159</b>
<b>EQUITY</b>			
Share capital		35,069,670	35,069,670
Additional paid-in capital		3,202,814,873	3,205,877,569
Deficit		(44,320,451)	(129,632,599)
Treasury shares		(393,022,119)	(352,501,539)
	1.9	<b>2,800,541,973</b>	<b>2,758,813,101</b>
		<b>P2,853,268,102</b>	<b>P2,767,923,260</b>
<b>Net Asset Value Per Share</b>		<b>0.9238</b>	<b>0.8962</b>
<b>Total Equity</b>		<b>2,800,541,973</b>	<b>2,758,813,101</b>
Capital Stock - Php 0.01 par value			
Authorized - 5,200,000,000 shares			
Issued and Fully Paid Shares		3,031,391,923	3,078,492,626
<b>Total Number of Shares</b>		<b>3,031,391,923</b>	<b>3,078,492,626</b>
<b>NET ASSET VALUE PER SHARE</b>		<b>P 0.9238</b>	<b>P 0.8962</b>

SUN LIFE PROSPERITY DYNAMIC FUND, INC.  
(An Open-end Investment Company)

STATEMENT OF COMPREHENSIVE INCOME

For the period March 31, 2017 and March 31, 2016

	MDAS	2017	2016
Revenues	2.1	(2,683,249)	(419,295)
<b>Investment Expenses</b>			
Commission		2,517,140	2,712,983
Clearing fees		406,539	434,077
		2,923,679	3,147,060
<b>Net Investment Income</b>		<b>(5,606,928)</b>	<b>(3,566,355)</b>
<b>Operating Expenses</b>			
Management Fees		19,544,570	21,427,756
Transfer Fees and Custodian Fees		1,549,944	1,303,046
Taxes and licenses		P151,445	P31,550
Directors fees		44,750	14,241
Miscellaneous		125,849	14,082
	2.2	21,416,558	22,790,676
Profit Before Net Unrealized Gains (Loss) on Investments		(27,023,486)	(26,357,030)
Net Unrealized Gains (Loss) on Investments		116,848,683	79,122,673
		89,825,197	52,765,643
PROVISION FOR INCOME TAX		4,513,049	4,835,570
<b>Profit After Tax</b>	2.3	<b>85,312,148</b>	<b>47,930,073</b>
<b>Basic Earnings per share</b>		<b>0.028</b>	<b>0.020</b>

SUN LIFE PROSPERITY DYNAMIC FUND, INC  
 STATEMENTS OF CHANGES IN EQUITY  
 FOR THE PERIOD ENDED MARCH 31, 2017 AND MARCH 31, 2016

	Capital Stock	Capital paid in excess of par value	Deficit	Treasury Shares	Total
Balance, January 1, 2017	P 35,069,670	P3,205,877,569	(P129,632,599)	(P352,501,539)	P2,758,813,101
Profit for the period			85,431,189		85,312,148
Transactions with owners:					
Acquisition of Treasury shares during the period		(3,062,696)		(46,492,804)	(49,555,500)
Reissuance of Treasury shares during the period				5,972,224	5,972,224
Total Transactions with owners	-	(3,062,696)	-	(40,520,580)	(43,583,276)
Balance, March 31, 2017	P 35,069,670	P3,202,814,873	(P44,201,410)	(P393,022,119)	P2,800,541,973

	Capital Stock	Capital paid in excess of par value	Deficit	Treasury Shares	Total
Balance, January 1, 2016	P 35,069,670	P3,202,666,249	(P50,553,422)	(P40,801,983)	P3,146,380,514
Profit for the period			47,930,073		47,930,073
Transactions with owners:					
Acquisition of Treasury shares during the period		(31,926)		(20,940,667)	(20,972,593)
Reissuance of Treasury shares during the period				677,621	677,621
Total Transactions with owners	-	(31,926)	-	(20,263,046)	(20,294,972)
Balance, March 31, 2016	P 35,069,670	P3,202,634,323	(P 2,623,349)	(P61,065,029)	P3,174,015,615

SUN LIFE PROSPERITY DYNAMIC FUND, INC  
 STATEMENTS OF CASH FLOWS  
 FOR THE PERIOD ENDED MARCH 31, 2017 AND MARCH 31, 2016

	(Unaudited) 2017	(Unaudited) 2016
<b>Cash Flows from Operating Activities</b>		
Net investment income	P 85,312,148	P 47,930,073
Changes in operating assets and liabilities		
Sale (Purchase) of fixed income securities	189,025,204	6,636,256
(Increase) Decrease in:		
Accrued interest receivable	(30,521,756)	(1,447,815)
Dividends Receivable	(5,692,726)	(8,763,179)
Due from Brokers	12,850,207	931,739
Prepaid Expenses	(145,991)	(226,944)
Increase (Decrease) in:		
Accounts payable and accrued expenses	1,248,531	1,452,002
Due to Brokers	42,414,949	(31,147,550)
Payable to fund manager	(47,510)	59,727
<b>Net cash provided (used) in operating activities</b>	<b>294,443,056</b>	<b>15,424,307</b>
<b>Cash Flows From Financing Activities</b>		
Acquisition of Treasury shares during the period	(49,555,500)	(20,972,593)
Reissuance of Treasury shares during the period	5,972,224	677,621
<b>Net cash provided (used) in Financing Activities</b>	<b>(43,583,276)</b>	<b>(20,294,972)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>250,859,780</b>	<b>(4,870,665)</b>
<b>Cash at the Beginning of the Period</b>	<b>7,835,375</b>	<b>12,593,939</b>
<b>Cash at the End of the Period</b>	<b>258,695,155</b>	<b>7,723,274</b>

## Notes to Financial Statements

### 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 and certain financial instruments carried at amortized cost.

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

### Functional 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.

### ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

#### Adoption of New and Revised Accounting Standards Effective in 2016

The following new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and issued by the FRSC in the Philippines were adopted by the Company effective on January 1, 2016:

##### *Annual Improvements to PFRSs 2012-2014 Cycle*

The annual improvements address the following issues:

##### *Amendments to PFRS 7: Financial Instruments: Disclosures*

The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets. PFRS 7 states that a pass through arrangement under a servicing contract does not, in itself, constitute a continuing involvement in asset, for instance, when the amount and/or timing of the servicing fee depend on the amount and/or the timing of the cash flows collected. The amendments add guidance to this effect.

The amendments also clarified the applicability of the disclosure requirements on offsetting financial assets and financial liabilities to be included in condensed interim financial statements. The amendments clarified that the offsetting disclosures are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with PAS 34, *Interim Financial Reporting*.

The amendments did not have a significant impact on the Company's financial statements.

##### *Amendments to PAS 1: Presentation of Financial Statements*

The amendments include the following:

- **Materiality.** The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- **Statement of financial position and statement of profit or loss and other comprehensive income.** The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements, and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.



- Notes. The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of PAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

The amendments did not have a significant impact on the Company's financial statements.

New Accounting Standards Effective after the Reporting Period Ended December 31, 2016

The Company will adopt PFRS 9 once became effective.

PFRS 9, *Financial Instruments (2014)*

This standard consists of the following three phases:

Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement under this standard, all recognized financial assets that are currently within the scope of PAS 39 will be subsequently measured at either amortized cost or fair value. Specifically:

- A debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost (net of any write done for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.
- A debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVTOCI, unless the asset is designated at FVTPL under the fair value option.
- All other debt instruments must be measured at FVTPL.
- All equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognized in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognized in profit or loss.

This standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. On major change from PAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk for the liability. Under this standard, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under PAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

Phase 2: Impairment methodology

The impairment model under this standard reflects expected credit losses, as opposed to incurred credit losses under PAS 39. Under the impairment approach of this standard, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

### Phase 3: Hedge accounting

The general hedge accounting requirements for this standard retain the three types of hedge accounting mechanism in PAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of economic relationships. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The standard is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

The management does not anticipate that the application of PFRS 9 will have a significant impact on the Company's financial statements as the recognition and measurement of the Company's financial assets and financial liabilities would be the same under both PAS 39 and PFRS 9.

### *PFRS 16, Leases*

This standard specifies how a PFRS reporter will recognize, measure, present and disclose leases. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with PFRS 16's approach to lessor accounting substantially unchanged from its predecessor, PAS 17.

The standard is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is not permitted, until IFRS 15, *Revenue from Contracts with Customers*, is adopted.

The future adoption of the standard will have no effect on the Company's financial statements.

### *Amendment to PAS 7, Disclosure Initiative*

The amendment clarifies that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment is effective for annual reporting periods beginning on or after January 1, 2017. Earlier application is permitted.

The future adoption of the amendment will have no effect on the Company's financial statements.

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

The amendments clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments are effective for annual reporting periods beginning on or after January 1, 2017. Earlier application is permitted.

The future adoption of the amendments will have no effect on the Company's financial statements.

#### *IFRS 15, Revenue from Contracts with Customers*

The standard combines, enhances, and replaces specific guidance on recognizing revenue with a single standard. An entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

It defines a new five-step model to recognize revenue from customer contracts.

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

The standard is mandatory for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

The management does not anticipate that the application of the new accounting standard will have a significant impact on the Company's financial statements as the Company does not have complex revenue transactions.

#### *PIC Q&A No. 2016-04 - Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-completion Contracts*

This interpretation applies to the accounting for revenue from the sale of a residential property unit under pre-completion stage (i.e., construction is on-going or has not yet commenced) by a real estate developer that enters into a Contract to Sell (CTS) with a buyer, and the developer has determined that the contract is within the scope of PFRS 15 by satisfying all the criteria in paragraph 9 of PFRS 15.

This interpretation does not deal with the accounting for other aspects of real estate sales such as variable considerations, financing components, commissions and other contract costs, timing of sales of completed properties, etc.

The management does not anticipate that the application of the new accounting standard will have a significant impact on the Company's financial statements as the Company does not have complex revenue transactions.

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

The amendments to PFRS 2 includes:

- a. Accounting for cash-settled share-based payment transactions that contain a performance condition. The amendment added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

- b. Classification of share-based payment transactions with net settlement features. The amendment has introduced an exception into PFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
- c. Accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendment has introduced the following clarifications:
  - On modifications, the original liability recognized in respect of the cash-settled share-based payment is derecognized and the equity-settled share-based payment is recognized at the modification date fair value to the extent services have been rendered up to the modification date.
  - Any difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately.

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted.

The future adoption of the standard will have no effect on the Company's financial statements.

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

The amendments provide two options for entities that issue insurance contracts within the scope of PFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; and
- an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

An entity applies the overlay approach retrospectively to qualifying financial assets when it first applies IFRS 9. Application of the overlay approach requires disclosure of sufficient information to enable users of financial statements to understand how the amount reclassified in the reporting period is calculated and the effect of that reclassification on the financial statements.

An entity applies the deferral approach for annual periods beginning on or after January 1, 2018. Predominance is assessed at the reporting entity level at the annual reporting date that immediately precedes April 1, 2016. Application of the deferral approach needs to be disclosed together with information that enables users of financial statements to understand how the insurer qualified for the temporary exemption and to compare insurers applying the temporary exemption with entities applying IFRS 9. The deferral can only be made use of for the three years following January 1, 2018. Predominance is only reassessed if there is a change in the entity's activities.

The future adoption of the amendments will have no effect on the Company's financial statements.

*Annual Improvements to PFRSs 2014-2016 Cycle*

The annual improvements address the following issues:

*Amendments to PFRS 1, First-time Adoption of International Financial Reporting Standards*

The amendments include the deletion of short-term exemptions stated in the appendix of PFRS 1, because they have now served their intended purpose. The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted.

The future adoption of the standard will have no effect on the Company's financial statements.

*Amendments to PFRS 12, Disclosure of Interests in Other Entities*

The amendments clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those disclosures needed in the summarized financial for subsidiaries, joint ventures and associates, apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The amendments are effective for annual periods beginning on or after January 1, 2017 with earlier application permitted.

The future adoption of the standard will have no effect on the Company's financial statements.

*Amendments to PAS 28, Investments in Associates and Joint Ventures*

The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

The future adoption of the standard will have no effect on the Company's financial statements.

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

The amendments in Transfers of Investment Property (Amendments to IAS 40) are:

- Stating that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of evidence in paragraph 57(a) – (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list

The amendments are effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

The future adoption of the standard will have no effect on the Company's financial statements.

*Philippine Interpretations IFRIC 22, Foreign Currency Transactions and Advance Consideration*

The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability.

The Interpretation is effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

The future adoption of the standard will have no effect on the Company's financial statements.

## SIGNIFICANT ACCOUNTING POLICIES

### Financial Assets

#### *Initial recognition*

Financial assets are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets, except for investments classified as at FVTPL. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *Classification and subsequent measurement*

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company's financial assets as at March 31, 2017 and December 31, 2016 consist of financial assets at FVTPL and loans and receivables.

#### *Financial assets at FVTPL*

The Company classifies financial assets as at FVTPL when the financial asset is either held for trading or designated as such upon initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and it is permitted that the entire combined contract to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resulting gain or loss recognized in profit or loss. The Company's financial assets classified under this category include investments in listed equity shares, investments in fixed-income securities, investments in unit investment trust fund (UITF) and special savings deposits.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are subsequently

measured at amortized cost using the effective interest method, less any impairment and are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of not discounting is immaterial.

The Company's financial assets classified under this category include cash in banks, accrued interest receivable, dividends receivable and due from brokers.

#### Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

#### Objective evidence of impairment

For all financial assets carried at amortized cost, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counter party; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or
- it has become probable that the borrower will enter bankruptcy or other financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

#### Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate, i.e., the effective interest rate computed at initial recognition.

The carrying amount of financial assets carried at amortized cost is reduced directly by the impairment loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been

recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

#### Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. 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 financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and any cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

#### **Prepayments**

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statements of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

#### **Financial Liabilities and Equity Instruments**

##### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument.

##### Financial liabilities

###### *Initial recognition*

Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities except for debt instruments classified as at FVTPL.

Financial liabilities are classified as either financial liabilities as at FVTPL or other financial liabilities.

###### *Subsequent measurement*

Since the Company does not have financial liabilities classified as at FVTPL, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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



### *Derecognition*

Financial liabilities are derecognized by the Company when the obligation under the liability is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

### *Ordinary shares*

Share capital consisting of ordinary shares are classified as equity. 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.

### *Deficit*

Deficit represent accumulated loss attributable to equity holders of the Company after deducting dividends declared. Deficit may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

### *Repurchase, disposal and reissuance of shares capital (treasury shares)*

When share capital recognized as equity is repurchased, the amount of the consideration paid, which include 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.

### *Deposits for future stock subscriptions*

Deposits for future stock subscriptions are recorded at historical cost. These are classified as equity when all of the following criteria are met:

- the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- there is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the Company);
- there is stockholders' approval of said proposed increase; and
- the application for the approval of the proposed increase has been filed with the SEC.

Deposits for future stock subscriptions are classified as liability, when the above criteria are not met.

### **Revenue Recognition**

Income is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Income is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

### *Interest income*

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. 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.

#### *Dividend income*

Dividend income from investments is recognized when the shareholders' rights to receive payment 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.

#### *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 are recognized in profit or loss.

#### *Fair value gains or losses*

Gains or losses arising from changes in fair values of investments are disclosed under the policy on financial assets.

#### *Other income*

Other income is income generated outside the normal course of business and is recognized when it is probable that the economic benefits will flow to the Company and it can be measured reliably.

#### **Expense Recognition**

Expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss on the basis of: (i) a direct association between the costs incurred and the earning of specific items of income; (ii) systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or, (iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

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 administrative and other business expenses of the Company including management fees and custodianship fees.

#### **Fair Value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. 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**

A related party transaction is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. 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 expense, final tax and deferred tax.

#### *Current tax*

The corporate income tax currently expensed is based on taxable income or gross income for the year. Taxable income or gross income differs from 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. The Company's current tax expense is calculated using 30% regular corporate income tax (RCIT) rate or 2% minimum corporate income tax rate, whichever is higher.

#### *Final tax*

Final tax expense represents final taxes withheld on interest income from cash in banks, special savings deposits and fixed-income securities, and final taxes withheld on proceeds from sale of listed equity securities.

#### *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 liabilities and assets 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 other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income 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 deposits for future stock subscriptions 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 stock subscription.

### **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.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The Performance of the Company could be measured by the following indicators:

1. **Increase/Decrease in NAVPS.** NAVPS is computed by dividing net assets (total assets less total liabilities) by the total number of shares issued and outstanding plus the total number of units outstanding due to deposit for future subscriptions (DFFS) and for conversion to shares, if any, as of the end of the reporting day. Any increase or decrease in NAVPS translates to a prospective capital gain or capital loss, respectively, for the Fund's shareholders.
2. **Net Investment Income.** Represents the total earnings of the Fund from its investment securities, less operating expenses and income tax. This gauges how efficiently the Fund has utilized its resources in a given time period.
3. **Assets Under Management (AUM).** These are the assets under the Fund's disposal. This measures investor confidence (increase/decrease brought about by investor subscriptions/redemptions) as well as the growth of the Fund (increase/decrease brought about by its operational income and market valuation of its assets and liabilities).
4. **Cash Flow.** Determines whether the Fund was able to achieve the optimal level of liquidity by being able to meet all its scheduled payments, while maintaining at the same time the maximum investments level and minimum cash level.

### **Accounting Policies on Financial Assets at FVTPL**

#### *Initial recognition*

Financial assets are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets, except for investments classified as at FVTPL. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *Classification and subsequent measurement*

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company's financial assets as at March 31, 2017 and December 31, 2016 consist of financial assets at FVTPL and loans and receivables.

#### *Financial assets at FVTPL*

The Company classifies financial assets as at FVTPL when the financial asset is either held for trading or designated as such upon initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and it is permitted that the entire combined contract to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resulting gain or loss recognized in profit or loss. The Company's financial assets classified under this category include investments in listed equity shares, investments in fixed-income securities, investments in unit investment trust fund (UITF) and special savings deposits.

#### *Incorporation*

The Company was incorporated on August 31, 2012 with 200,000,000 authorized shares at par value of P0.01 per share.

#### *Approved changes*

On October 10, 2012, the shareholders approved the blanket increase from 200,000,000 shares to 100,000,000,000 shares both with a par value of P0.01 per share. The Board was authorized to implement the increase in tranches.

On March 22, 2013, the Board of Directors approved the first tranche of share capital increase by 2,000,000,000 shares (from 200,000,000 shares to 2,200,000,000 shares both with par value of P0.01 per share). The SEC subsequently approved the increase on January 22, 2014 and the registration statement on July 3, 2014.

Deposits for future stock subscriptions received in 2013 amounting to P500,000,000 equivalent to 500,000,000 shares for the increase in authorized capital stock is recognized in equity since the Company has met all of the conditions required for such recognition.

On August 6, 2013, the Board of Directors approved the second tranche of share capital increase by 3,000,000,000 shares (from 2,200,000,000 shares to 5,200,000,000 shares both with par value of P0.01 per share) which was subsequently approved by the SEC on December 23, 2014. The registration statement was approved on July 13, 2015.

#### *Current state*

As at March 31, 2017, the Company has 5,200,000,000 authorized shares, each with a par value of P0.01 per share and 3,031,391,923 are outstanding.

#### 31 March 2017 and 31 March 2016

The Net Asset of the Fund increased by PHP 42 Million (2%) from PHP 2.7 Billion in December 2016 to PHP 2.8 Billion in March 2017. The slight increase was mainly due to impact of favorable market condition during the period.

Net profit increased by 37 Million (78%) from PHP 48 Million in December 2016 to PHP 85 Million in March 2017. The increase is attributable to higher net unrealized market gains on investments recognized for the period.

The Company was able to meet all its monetary obligations to its shareholders (for redemption) and creditors for the period covered. It does not foresee any event that could trigger a direct or contingent financial obligation that is material to its operations.

No material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities/other persons were created during the reporting period. There are also no known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations and liquidity.

There are no significant elements of income that did not arise from the Company's continuing operations.

#### **Material Changes in the 1<sup>st</sup> Quarter Financial Statements**

##### **Statement of Financial Position - March 31, 2017 vs. March 31, 2016**

1.1 Cash significantly increased by PHP 251 Million from PHP 8 Million in December 2016 to PHP 259 Million in March 2017.

1.2 Financial Assets at Fair Value through profit or loss decreased from PHP 2.7 Billion in December 2016 to PHP 2.5 Billion in March 2017. The decrease is attributable mainly to disposals of investments in equity securities and fixed income investments during the period. .

1.3 Accrued Interest Receivable increased from PHP 9 Million in December 2016 to PHP 40 Million in March 2017. The increase was due to higher balance of accrued interest from fixed income investments. Collection of interest depends on the scheduled interest payments of each asset held.

1.4 Dividends Receivable increased from PHP 2 Million in December 2016 to PHP 8 Million in March 2017. Collection of receivable is dependent on the scheduled payment dates of each listed stock from which dividends were received.

1.5 Prepayments and other current assets pertain to prepaid expenses to be amortized until the end of the accounting period.

1.6 Due from Brokers went down by PHP 13 Million (67%) from PHP 19 Million in December 2016 to PHP 6 Million in March 2017. This is due to lower outstanding amounts due from brokers in

relation to disposals of investment in equity securities during the period. The proceeds of sales were received three (3) days after the transaction date.

1.7 Accrued Expenses and other payables increased from PHP 1.7 Million in December 2016 to PHP 2.9 Million in March 2017. The increase was mainly due to Proceeds Payable to Investors. These are amounts payable to investors for redemption of their investments processed on or before end of reporting period, which are usually paid four (4) days from the transaction date.

1.8 Due to Brokers in March 2017 amounting to PHP 42 Million pertain to outstanding payable to brokers related to purchases of listed equity securities made towards the end of reporting period, which are settled three days from the transaction date.

Average daily net asset value from January to March 2017 and January to March 2016 is PHP 2,830,794,128 and PHP 3,077,917,347, respectively.

#### **Statement of Comprehensive Income - For three months ended - March 31, 2017 vs. March 31, 2016**

2.1 Loss of PHP 419 Thousand in 2016 increased to PHP 2.7 Million in 2017 due to trading losses realized from sale of fixed income investments during the period.

2.2 Total Operating Expenses decreased from PHP 23 Million to PHP 21 Million due to lower management fees in the current year compare to the same period last year. .

2.3 Net profit increased by 37 Million (78%) from PHP 48 Million in December 2016 to PHP 85 Million in March 2017. The increase is attributable to higher unrealized market gains on investments recognized for the period.

#### **Statement of Changes in Equity**

1.9 Total equity registered an increase of PHP 42 Million (2%) from PHP 2.7 Billion in December 2016 to PHP 2.8 Billion in March 2017.

### **PART II –RISK MANAGEMENT**

#### **Item 1. Financial Risk Exposures of the Company**

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

The Company's activities expose it to a variety of financial risks: Market risk, which includes fair value interest rate risk and equity price risk; 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 takes 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:

**1.1 Market Risk:** Market risk is the risk of possible decline in the value of the Fund due to fluctuations in prices of the fund's assets. Since the Fund may invest in both equity and fixed income securities, it is subject to two types of market risks: (1) Interest Rate Risk applicable to fixed income investments of the Fund; and (2) Equity Price Risk applicable to the equity investments of the Fund.

**1.1.a Interest Rate Risk:** Interest Rate Risk is a type of Market Risk which is applicable to the Fund's investments in bonds, if any. This refers to the increase/decrease of a bond price due to movement in market factors such as changes in interest rates. A change in interest rates is the period when interest rates rise or fall thus causing the decline or increase in the market price of the bonds held by the Fund, if any. This risk is minimized by closely monitoring the direction of interest rates and aligning it with the appropriate strategy of the Fund.

**1.1.b Equity Price Risk:** For equity investments, changes in prices of equity refer to the equity investments held by the Fund either for strategic or trading purposes. These equity investments, if any, are subject to the daily price fluctuations, as determined by market forces. Hence, prices may vary as a result of the general economic and political

conditions, as well as developments in the company's operations and overall profitability. To manage this risk, the equity investments included in the Fund's portfolio are carefully selected based on their fundamental soundness.

**1.2 Credit Risk:** Investments in bonds carry the risk that the issuer of the bonds might default on its interest and/or principal payments. In the event of default, the Fund's value will be adversely affected and may result in a write-off of the concerned asset held by the Fund. To mitigate the risk, each Issuer/Borrower/Counterparty passes through a stringent credit evaluation process to determine whether the quality of the bond complies with the prescribed standards of the Fund. Further, the credit quality of the Issuer/Borrower/Counterparty is reviewed periodically to ensure that excellent credit standing is maintained. Moreover, a 10% exposure limit to a single Issuer/Borrower/Counterparty is likewise observed. It is good to note, however, that the Fund's government securities holdings are considered almost credit risk-free assets as they carry an unconditional guarantee of the Republic of the Philippines.

**1.3 Liquidity Risk:** The Fund is usually able to service redemptions of investors within seven (7) banking days after receipt of the notice of redemption by paying out redemptions from available cash or near cash assets in its portfolio. However, when redemptions exceed the Fund's available cash or near cash assets in its portfolio, the Fund will have to sell its other security holdings; and during periods of extreme market volatility, the Fund may not be able to find a buyer for such assets. Consequently, the Fund may not be able to generate sufficient cash from its sale of assets to meet the redemptions within the normal seven (7) banking day period. To mitigate this, the Fund maintains adequate highly liquid assets in the form of cash, cash equivalents and near cash assets in its portfolio.

The following are additional risks present in managing the Fund, however, non-quantifiable.

**1.4 Regulatory Risk:** The Fund's investments and operations are subject to various regulations affecting among others, accounting and taxation. These regulations occasionally change, and may result in lower returns or even losses borne by the investors. For example, a higher tax imposed on the sale or purchase of underlying assets of the Fund may result in lower net asset value of the Fund. To mitigate this risk, SLAMCI adopts global best practices. Further, it maintains regular communications with the relevant government agencies to keep itself abreast of the issues giving them concern, and to have the opportunity to help them set standards for good governance. SLAMCI also takes an active participation in the Philippine Investment Funds Association, Inc. ("PIFA"), an association of mutual fund companies in the Philippines.

**1.5 Non-guarantee:** Unlike deposits made with banks, an investment in the Fund is neither insured nor guaranteed by the Philippine Deposit Insurance Corporation ("PDIC"). Hence, investors carry the risk of losing the value of their investment. Moreover, as with any investment, it is important to note that past performance of the Fund does not guarantee its future success.

**1.6 Dilution Risk:** Being an open-end mutual fund, various investors may effectively subscribe to any amount of shares of the Fund. As such, investors face the risk of their investments being diluted as more investors subscribe to shares of the Fund. The influence that the investors can exert over the control and management of the Fund decreases proportionately.

**1.7 Large Transaction Risk:** If an investor in a Fund makes a large transaction, the Fund's cash flow may be affected. For example, if an investor redeems a large number of shares of a Fund, that Fund may be forced to sell securities at unfavorable prices to pay for the proceeds of redemption. This unexpected sale may have a negative impact on the net asset value of the Fund.

**1.8 Fund Manager Risk:** The performance of the Fund is also dependent on the Fund Manager's skills. Hence, the Fund may underperform in the market and/or in comparison with similar funds due to investment decisions made by the Fund Manager, and may also fail to meet the Fund's investment objectives. The Board of Directors of the Issuer, however, shall ensure that all investment policies and restrictions enumerated in this Prospectus are strictly followed.

The above risk factors are by no means exhaustive. New and/or unidentified risks may arise given the fast changing financial markets and economic environment.



## 2. Capital Risk Management

The Company manages its 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 Company manages capital and NAVPS, 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 directly in real estate properties and developments;
- It does not purchase or sell commodity futures contracts;
- It does not engage in lending operations to related parties such as the members of the Board of Directors, officers of the Company and any affiliates, or affiliated corporations of the Company;
- The asset mix in each type of security is determined from time to time, as warranted by economic and investment conditions;
- It does not change its investment objectives without the prior approval of a majority of its shareholders.

As of March 31, 2017 and same period last year, the Company is consistently in compliance with the minimum paid-in capital requirement of the SEC of PHP 50 million.

### 3. The amount and description of the company's investment in foreign securities:

The Company does not have any investment in foreign securities.

### 4. Significant accounting judgments made in classifying a particular financial instrument in the fair value hierarchy.

#### 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 that have the most significant effect on the amounts recognized in the financial statements.

##### *Loans and receivables designated as at FVTPL*

The Company designated its special savings deposits as financial asset as FVTPL since it forms part of a group of managed financial assets whose performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy. The information about the group of managed financial assets is provided internally on that basis to the Company's management.

As at March 31, 2017 and December 31, 2016 the carrying amount of special savings deposits designated as financial assets at FVTPL amounted to PHP 250,000,000 and PHP 4,400,000, respectively.

##### *Puttable shares designated as equity instruments*

The Company designated its redeemable share capital as equity instruments when the Company 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 of 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. 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 March 31, 2017 and December 31, 2016, the recognized equity in the statements of financial position amounted to PHP 2,800,541,973 and PHP 2,758,813,101, respectively.

### 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.

#### *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. 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.

As at March 31, 2017 and December 31, 2016, the carrying amounts of financial assets carried at fair value through profit or loss subsequent to initial recognition amounted to PHP 2,540,199,772 and PHP 2,729,224,976, respectively. The net unrealized fair value gains on investments amounting to PHP 116,848,683 is recognized in March 31, 2017 and PHP 79,122,673 was recognized in March 31, 2016.

#### *Determining 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 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.

#### Compliance with Foreign Account Tax Compliance Act (FATCA)

In accordance with the requirements of the US Internal Revenue Service ("IRS") and the Intergovernmental Agreement ("IGA") between the Government of the United States of America and the Government of the Republic of the Philippines to Improve International Tax Compliance and to Implement FATCA which was signed last July 13, 2015, the Fund has registered with the Internal Revenue Service (IRS) and has obtained its own GIIN as a sponsored entity. Sun Life Asset Management Company, Inc. ("SLAMCI") continues to assume responsibilities for the Fund's FATCA compliance as the Sponsoring Entity and has implemented FATCA onboarding processes and procedures as well as system enhancements to monitor its new and pre-existing account holders who are U.S. Persons and have U.S. Indicia.

The Fund, together with its Sponsoring Entity, SLAMCI, is preparing to comply for FATCA reporting on the date which will be set by the Bureau of Internal Revenue as soon as the IGA has been ratified by the Senate.

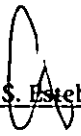
**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer : Sun Life Prosperity Dynamic Fund, Inc.

Principal Financial/Accounting Officer/Comptroller:

Signature and Title : Treasurer

  
Candy S. Esteban

Date : May 11, 2017

SUN LIFE OF PROSPERITY DYNAMIC FUND, INC.  
Schedule of Investments  
Financial assets at fair value through profit and loss

Name of Issuing Entity and Association of Each Issue	March 31, 2017			December 31, 2015	
	Number of Shares / Principal Amount of Bonds and Notes	Market Value	Aggregate Cost	Principal Amount of Bonds and Notes	Amount Shown in Balance Sheet
<b>Equities</b>					
Ayala Corporation	90,940	76,844,300	70,793,670	124,510	90,954,555
Aboitiz Equity Ventures Inc	662,930	49,355,139	42,223,725	1,063,880	75,322,704
Alliance Global Group Inc.	570,290	7,231,277	10,133,312	959,690	12,264,838
Ayala Land Inc.	3,153,980	104,239,039	109,284,643	3,816,180	122,117,760
Aboitiz Power Corporation	553,440	23,106,120	24,324,552	942,040	39,283,068
BDO Unibank Inc.	850,673	100,039,145	85,742,067	805,130	90,255,073
Bank of the Philippine Islands	489,600	49,547,520	46,475,454	764,780	67,912,464
DMCI Holdings Inc.	2,396,860	27,324,204	30,492,914	2,786,060	36,943,156
First Gen Corporation	1,365,490	28,607,016	31,364,519	1,570,690	34,555,180
Globe Telecom Inc.	12,315	25,024,080	23,707,814	14,160	21,367,440
International Container Terminal Services Inc.	486,640	43,748,936	39,488,679	457,960	32,950,222
Jollibee Foods Corporation	235,880	46,586,300	48,911,970	298,060	57,823,640
JG Summit Holdings Inc.	922,860	75,074,661	64,746,651	1,207,810	81,708,347
Metropolitan Bank & Trust Company	1,000,768	80,061,440	83,159,543	1,166,618	84,696,467
Megaworld Corporation	4,299,140	14,531,093	18,980,477	6,246,140	22,298,720
Metro Pacific Investments Corporation	12,882,510	77,552,710	82,219,755	16,786,910	111,800,821
Manila Water Company Inc.	731,800	22,539,440	20,017,022	1,173,600	34,034,400
Energy Development Corporation	1,239,980	7,464,680	8,200,638	1,720,580	8,860,987
Robinsons Land Corporation	353,960	8,141,080	10,125,709	391,660	10,183,160
Semirara Mining and Power Corporation	407,730	60,180,948	53,269,232	510,300	66,339,000
Security Bank Corporation	193,600	39,107,200	40,639,270	262,510	49,876,900
SM Investments Corporation	224,147	156,230,459	136,250,151	321,267	210,429,885
SM Prime Holdings Inc.	3,701,270	104,745,941	86,469,153	4,792,870	135,877,865
PLDT, INC.	33,814	55,657,844	60,846,947	21,010	28,678,650
Universal Robina Corporation	285,100	46,613,850	52,246,521	387,660	63,382,410
Manila Electric Company	97,390	26,684,860	29,247,758	117,120	31,036,800
San Miguel Corporation	260,800	27,123,200	24,702,726	105,190	9,709,037
Petron Corporation	2,324,050	20,684,045	24,089,491	2,194,650	21,836,768
GT Capital Holdings Inc.	55,235	63,244,075	75,577,279	60,340	76,631,800
LT Group, Inc.	878,200	14,068,764	13,444,356	837,400	10,517,744
Emperador Inc.	-	-	-	78,700	550,900
Robinsons Retail Holdings, Inc.	129,530	9,973,810	10,146,254	134,590	9,993,308
Century Pacific Food Inc.	894,900	15,123,810	14,556,932	2,449,600	39,634,528
D&L Industries, Inc	1,449,800	18,441,456	16,995,940	1,602,800	18,271,920
Ayala Corporation (ACPB1)	45,945	24,672,465	24,390,432	45,945	25,040,025
San Miguel Pure Foods Company Inc (PFP2)	31,226	31,819,294	31,996,120	19,761	20,314,308
Ayala Corporation (ACPB2)	-	-	-	2,508	1,361,844
Globe Telecom Inc (GLOPP)	13,200	6,930,000	6,932,832	5,500	2,970,000
Petron Corporation (PRF2A)	11,659	12,533,425	12,267,297	7,459	7,794,655
First Gen Corporation (FGENG)	273,224	31,038,246	32,264,600	175,174	21,196,054
CEMEX Holdings Philippines, Inc.	-	-	-	3,546,600	39,367,260
GT Capital Holdings Inc (GTPPA)	55,640	56,808,440	56,090,103	33,530	34,066,480
GT Capital Holdings Inc (GTPPB)	27,800	28,773,000	28,228,960	13,500	13,770,000
Puregold Price Club Inc.	187,300	8,185,010	8,359,198	-	-
San Miguel Corporation (SMC2B)	52,695	4,004,820	4,057,515	-	-
San Miguel Corporation (SMC2F)	165,710	13,256,800	13,401,641	-	-
San Miguel Corporation (SMC2C)	5,500	440,275	447,150	-	-
San Miguel Corporation (SMC2H)	40,000	3,120,000	3,124,000	-	-
San Miguel Corporation (SMC2I)	808,500	63,467,250	64,344,349	-	-
San Miguel Corporation (SMC2E)	4,000	314,000	312,000	-	-
San Miguel Corporation (SMC2G)	30,000	2,340,000	2,370,000	-	-
<b>TOTAL</b>	<b>44,988,021</b>	<b>1,812,601,466</b>	<b>1,777,461,325</b>	<b>60,022,442</b>	<b>1,973,981,140</b>
<b>Investments in UITF</b>					
RIZAL PESO CASH MANAGEMENT FUND	4,874,130	5,071,396	N/A	4,874,130	5,047,995
SB PESO MONEY MARKET FUND	-	-	N/A	109,048,925	139,739,763
UCPB CASH MANAGEMENT FUND	11,985	15,353	N/A	11,985	15,300
	<b>4,886,115</b>	<b>5,086,750</b>		<b>113,935,040</b>	<b>144,803,058</b>
<b>Other Short Term Cash Investment</b>					
Special Savings Accounts, Citibank NA	-	-	N/A	4,400,000	4,400,000
Special Savings Accounts, ING	250,000,000	250,000,000	N/A	-	-
	<b>250,000,000</b>	<b>250,000,000</b>		<b>4,400,000</b>	<b>4,400,000</b>
<b>Treasury Bonds and Notes Issued by the Nat'l Government</b>					
Treasury Notes -- Republic of the Philippines	462,131,000	472,511,556	N/A	573,000,000	606,040,778
<b>TOTAL</b>	<b>462,131,000</b>	<b>472,511,556</b>		<b>573,000,000</b>	<b>606,040,778</b>
<b>GRAND TOTAL</b>	<b>762,005,136</b>	<b>2,540,199,772</b>	<b>1,777,461,325</b>	<b>751,357,482</b>	<b>2,729,224,976</b>

**SUN LIFE PROSPERITY DYNAMIC FUND, INC.**

Schedule of Financial Soundness Indicators and Financial Ratios

March 31, 2017 and December 31, 2016

	2017	2016
<i>Current/ Liquidity Ratios</i>		
a. Current ratio	54.12:1	303.83:1
b. Quick ratio	54.12:1	303.83:1
c. Cash ratio	4.91:1	0.86:1
d. Days in receivable	N/A	N/A
e. Working capital ratio	0.99:1	1.00:1
f. Net working capital to sales ratio	-1,043.72:1	31.76:1
g. Defensive Interval Ratio	11,977.9:1	10,696.33:1
<i>Solvency Ratios</i>		
a. Long-term debt to equity ratio	0.00	0.00
b. Debt to equity ratio	0.02	0.00
c. Long term debt to total asset ratio	0.00	0.00
d. Total debt to asset ratio	0.02	0.00
Asset to equity ratio	1.02:1	1.00:1
Interest rate coverage ratio	0	0
<i>Profitability Ratio</i>		
a. Earnings before interest and taxes (EBIT) margin	-33.48:1	-0.72:1
b. Earnings before interest, taxes and depreciation and amortization (EBITDA) margin	-33.48:1	-0.72:1
c. Pre-tax margin	-33.48:1	-0.72:1
d. Effective tax rate	4.89%	-27.10%
e. Post-tax margin	-31.84:1	-0.91:1
f. Return on equity	3.07%	-3.0%
g. Return on asset	3.04%	-3.0%
Capital intensity ratio	-1,063.37:1	31.86:1
Dividend payout ratio	N/A	N/A

Sun Life Prosperity Dynamic Fund Inc.

Schedule Required under SRC Rule 68

i. Percentage of Investment in a Single Enterprise to Net Asset Value

As of March 31, 2017 and December 31, 2016

	2017			2016		
	Investment (Market Value)	Net Asset Value	% over NAV	Investment (Market Value)	Net Asset Value	% over NAV
<b>Bonds</b>						
SMPH 4.5095 02/25/21	29,850,646.40	2,800,541,973	1.07%	-	-	-
MIERPM 4.375 12/12/2020	9,343,440.00	2,800,541,973	0.33%	-	-	-
AHVPM 4.4722 11/06/20	3,181,216.00	2,800,541,973	0.11%	-	-	-
SMPM 5.159 12/09/23	14,715,900.00	2,800,541,973	0.53%	-	-	-
ALIPM 5 01/30/24	59,637,270.00	2,800,541,973	2.13%	-	-	-
SMPM 5.2958 05/19/21	28,535,868.90	2,800,541,973	1.02%	-	-	-
JGSPM 5.2442 02/27/21	37,473,777.80	2,800,541,973	1.34%	-	-	-
GTCAPH 4.7106 11/07/19	3,625,440.00	2,800,541,973	0.13%	-	-	-
SMCPM 4.8243 03/01/22	54,460,080.00	2,800,541,973	1.94%	-	-	-
<b>Equities</b>						
SM Investments Corporation	156,230,459	2,800,541,973	5.58%	210,429,885	2,758,813,101	7.63%
Ayala Land Inc.	104,239,039	2,800,541,973	3.72%	122,117,760	2,758,813,101	4.43%
JG Summit Holdings Inc.	75,074,661	2,800,541,973	2.68%	81,708,347	2,758,813,101	2.96%
SM Prime Holdings Inc.	104,745,941	2,800,541,973	3.74%	135,877,865	2,758,813,101	4.93%
PLDT, INC.	55,657,844	2,800,541,973	1.99%	28,678,650	2,758,813,101	1.04%
Ayala Corporation	76,844,300	2,800,541,973	2.74%	90,954,555	2,758,813,101	3.30%
Universal Robina Corporation	46,613,850	2,800,541,973	1.66%	63,382,410	2,758,813,101	2.30%
Aboitiz Equity Ventures Inc	49,355,139	2,800,541,973	1.76%	75,322,704	2,758,813,101	2.73%
Bank of the Philippine Islands	49,347,520	2,800,541,973	1.77%	67,912,464	2,758,813,101	2.46%
BDO Unibank Inc.	100,039,145	2,800,541,973	3.57%	90,255,073	2,758,813,101	3.27%
Metropolitan Bank & Trust Company	80,061,440	2,800,541,973	2.86%	84,696,467	2,758,813,101	3.07%
GT Capital Holdings Inc.	63,244,075	2,800,541,973	2.26%	76,631,800	2,758,813,101	2.78%
Jollibee Foods Corporation	46,586,300	2,800,541,973	1.66%	57,823,640	2,758,813,101	2.10%
Manila Electric Company	26,684,860	2,800,541,973	0.95%	31,036,800	2,758,813,101	1.13%
International Container Terminal Services Inc.	43,748,936	2,800,541,973	1.56%	32,950,222	2,758,813,101	1.19%
Metro Pacific Investments Corporation	77,552,710	2,800,541,973	2.77%	111,800,821	2,758,813,101	4.05%
LT Group, Inc.	14,068,764	2,800,541,973	0.50%	10,517,744	2,758,813,101	0.38%
Semirara Mining and Power Corporation	60,180,948	2,800,541,973	2.15%	66,339,000	2,758,813,101	2.40%
DMCI Holdings Inc.	27,324,204	2,800,541,973	0.98%	36,943,156	2,758,813,101	1.34%
Energy Development Corporation	7,464,680	2,800,541,973	0.27%	8,860,987	2,758,813,101	0.32%
Alliance Global Group Inc.	7,231,277	2,800,541,973	0.26%	12,264,838	2,758,813,101	0.44%
Megaworld Corporation	14,531,093	2,800,541,973	0.52%	22,298,720	2,758,813,101	0.81%
Robinsons Land Corporation	8,141,080	2,800,541,973	0.29%	10,183,160	2,758,813,101	0.37%
Globe Telecom Inc.	25,024,080	2,800,541,973	0.89%	21,367,440	2,758,813,101	0.77%
Aboitiz Power Corporation	23,106,120	2,800,541,973	0.83%	39,283,068	2,758,813,101	1.42%
First Gen Corporation	28,607,016	2,800,541,973	1.02%	34,555,180	2,758,813,101	1.25%
San Miguel Pure Foods Company Inc (PIFP2)	31,819,294	2,800,541,973	1.14%	20,314,308	2,758,813,101	0.74%
Petron Corporation	20,684,045	2,800,541,973	0.74%	21,836,768	2,758,813,101	0.79%
Ayala Corporation (ACPB1)	24,672,465	2,800,541,973	0.88%	25,040,025	2,758,813,101	0.91%
Ayala Corporation (ACPB2)	-	-	-	1,361,844	2,758,813,101	0.05%
Security Bank Corporation	39,107,200	2,800,541,973	1.40%	49,876,900	2,758,813,101	1.81%
Manila Water Company Inc.	22,539,440	2,800,541,973	0.80%	34,034,400	2,758,813,101	1.23%
San Miguel Corporation	27,123,200	2,800,541,973	0.97%	9,709,037	2,758,813,101	0.35%
Puregold Price Club Inc.	8,185,010	2,800,541,973	0.29%	-	-	-
Robinsons Retail Holdings, Inc.	9,973,810	2,800,541,973	0.36%	9,993,308	2,758,813,101	0.36%
Century Pacific Food Inc.	13,123,810	2,800,541,973	0.54%	39,634,528	2,758,813,101	1.44%
D&L Industries, Inc	18,441,456	2,800,541,973	0.66%	18,271,920	2,758,813,101	0.66%
Globe Telecom Inc (GLOPP)	6,930,000	2,800,541,973	0.25%	2,970,000	2,758,813,101	0.11%
Petron Corporation (PRFZA)	12,553,425	2,800,541,973	0.45%	7,794,655	2,758,813,101	0.28%
First Gen Corporation (FGIENG)	31,038,246	2,800,541,973	1.11%	21,196,054	2,758,813,101	0.77%
GT Capital Holdings Inc (GTTPA)	56,808,440	2,800,541,973	2.03%	34,066,480	2,758,813,101	1.23%
GT Capital Holdings Inc (GTTPB)	28,773,000	2,800,541,973	1.03%	13,770,000	2,758,813,101	0.50%
San Miguel Corporation (SMC2B)	4,004,820	2,800,541,973	0.14%	-	-	-
San Miguel Corporation (SMC2F)	13,256,800	2,800,541,973	0.47%	-	-	-
San Miguel Corporation (SMC2C)	440,275	2,800,541,973	0.02%	-	-	-
San Miguel Corporation (SMC2H)	3,120,000	2,800,541,973	0.11%	-	-	-
San Miguel Corporation (SMC2I)	63,467,250	2,800,541,973	2.27%	-	-	-
San Miguel Corporation (SMC2E)	314,000	2,800,541,973	0.01%	-	-	-
San Miguel Corporation (SMC2G)	2,340,000	2,800,541,973	0.08%	-	-	-
CEMEX Holdings Philippines, Inc.	-	-	-	39,367,260	2,758,813,101	1.43%
Emperador Inc.	-	-	-	550,900	2,758,813,101	0.02%

RIZAL PESO CASH MANAGEMENT FUND	5,071,396	2,800,541,973	0.18%	5,047,995	2,758,813,101	0.18%
SB PESO MONEY MARKET FUND	-	-	-	139,739,763	2,758,813,101	5.07%
UCPB CASH MANAGEMENT FUND	15,353	2,800,541,973	0.00%	15,300	2,758,813,101	0.00%

#### Treasury Notes

PIBD25351086	3,521,186	2,800,541,973	0.13%	-	-	-
PIBD25401116	31,672,071	2,800,541,973	1.13%	76,504,912	2,758,813,101	2.77%
US718286BM88	167,437,860	2,800,541,973	5.98%	-	-	-
US718286BX44	29,056,800	2,800,541,973	1.04%	-	-	-
PIBD2031G171	-	-	-	219,391,880	2,758,813,101	7.95%
PIBD10251608	-	-	-	72,339,665	2,758,813,101	2.62%
PIBD0723D588	-	-	-	237,804,321	2,758,813,101	8.62%

#### ii. Total Investment of the Fund to the Outstanding Securities of an Investee Company As of March 31, 2017 and December 31, 2016

	Investment (Shares)	Outstanding Securities	% over Investee	Investment (Shares)	Outstanding Securities	% over Investee
<b>Bonds</b>						
SMPFPM 4.5095 02/25/21	29,850,646.40	**	-	-	-	-
MERPMM 4.375 12/12/2020	9,343,440.00	**	-	-	-	-
AISVPM 4.4722 11/06/20	3,181,216.00	**	-	-	-	-
SMPM 5.159 12/09/23	14,715,900.00	**	-	-	-	-
ALHPM 5 01/30/24	59,637,270.00	**	-	-	-	-
SMPM 5.2958 05/19/21	28,535,868.90	**	-	-	-	-
JGSPM 5.2442 02/27/21	37,473,777.80	**	-	-	-	-
GTCAPH 4.7106 11/07/19	3,625,440.00	**	-	-	-	-
SMCPM 4.8243 03/01/22	54,460,080.00	**	-	-	-	-
<b>Equities</b>						
SM Investments Corporation	224,147	1,204,582,867	0.36%	321,267.00	1,204,582,867	0.03%
Ayala Land Inc.	3,153,980	14,712,682,588	0.36%	3,816,180.00	14,712,682,588	0.03%
JG Summit Holdings Inc.	922,860	7,162,841,657	0.36%	1,207,810.00	7,162,841,657	0.02%
SM Prime Holdings Inc.	3,701,270	28,879,231,694	0.36%	4,792,870.00	28,879,231,694	0.02%
PLDT, INC.	33,814	216,055,775	0.36%	21,010.00	216,055,775	0.01%
Ayala Corporation	90,940	620,726,154	0.36%	124,510.00	620,726,154	0.02%
Universal Robina Corporation	285,100	2,204,161,868	0.36%	387,660.00	2,204,161,868	0.02%
Aboitiz Equity Ventures Inc.	662,930	5,633,792,557	0.36%	1,063,880.00	5,633,792,557	0.02%
Bank of the Philippine Islands	489,600	3,929,090,393	0.36%	764,780.00	3,929,090,393	0.02%
BDO Unibank Inc.	850,673	4,367,335,214	0.36%	805,130.00	4,367,024,454	0.02%
Metropolitan Bank & Trust Company	1,000,768	3,180,172,786	0.36%	1,166,618.00	3,180,172,786	0.04%
GT Capital Holdings Inc.	55,235	174,300,000	0.36%	60,340.00	174,300,000	0.03%
Jollibee Foods Corporation	235,880	1,080,992,279	0.36%	298,060.00	1,076,583,542	0.03%
Manila Electric Company	97,390	1,127,098,705	0.36%	117,120.00	1,127,098,705	0.01%
International Container Terminal Services Inc.	486,640	2,023,963,543	0.36%	457,960.00	2,023,963,543	0.02%
Metro Pacific Investments Corporation	12,882,510	31,504,178,752	0.36%	16,786,910.00	31,504,178,752	0.05%
I.T Group, Inc.	878,200	10,821,388,889	0.36%	837,400.00	10,821,388,889	0.01%
Semirara Mining and Power Corporation	407,730	1,065,286,430	0.36%	510,300.00	1,065,286,430	0.05%
DMCI Holdings Inc.	2,396,860	13,277,470,000	0.36%	2,786,060.00	13,277,470,000	0.02%
Energy Development Corporation	1,239,980	18,737,010,000	0.36%	1,720,580.00	18,737,010,000	0.01%
Alliance Global Group Inc.	570,290	10,269,827,979	0.36%	959,690.00	10,269,827,979	0.01%
Megaworld Corporation	4,299,140	32,239,445,872	0.36%	6,246,140.00	32,239,445,872	0.02%
Robinsons Land Corporation	353,960	4,093,830,685	0.36%	391,660.00	4,093,830,685	0.01%
Globe Telecom Inc.	12,315	132,742,402	0.36%	14,160.00	132,742,402	0.01%
Aboitiz Power Corporation	553,440	7,358,604,307	0.36%	942,040.00	7,358,604,307	0.01%
First Gen Corporation	1,365,490	3,660,943,557	0.36%	1,570,690.00	3,660,943,557	0.04%
San Miguel Pure Foods Company Inc (PIF2)	31,226	15,000,000	0.36%	19,761.00	15,000,000	0.13%
Petron Corporation	2,324,050	9,375,104,497	0.36%	2,194,650.00	9,375,104,497	0.02%
Ayala Corporation (ACPB1)	45,945	20,000,000	0.36%	45,945.00	20,000,000	0.23%
Ayala Corporation (ACPB2)	#N/A	#N/A	-	2,508.00	27,000,000	0.01%
Security Bank Corporation	193,600	753,538,887	0.36%	262,510.00	753,538,887	0.03%
Manila Water Company Inc.	731,800	2,053,945,884	0.36%	1,173,600	2,053,945,884	0.06%
San Miguel Corporation	260,800	2,378,524,978	0.36%	105,190	2,378,524,978	0.00%
Puregold Price Club Inc.	187,300	2,765,381,406	0.29%	-	-	-
Robinsons Retail Holdings, Inc.	129,530	1,385,000,000	0.36%	134,590	1,385,000,000	0.01%
Century Pacific Food Inc.	894,900	3,542,258,595	0.54%	2,449,600	3,542,258,595	0.07%
D&L Industries, Inc.	1,449,800	7,142,857,990	0.66%	1,602,800	7,142,857,990	0.02%
Globe Telecom Inc (GLOPP)	13,200	20,000,000	0.25%	5,500	20,000,000	0.03%
Petron Corporation (PRF2A)	11,659	7,122,320	0.45%	7,459	7,122,320	0.10%



First Gen Corporation (FGIENG)	273,224	126,855,520	1.11%	175,174	126,923,720	0.14%
GT Capital Holdings Inc (GTPPA)	55,640	4,839,240	2.03%	33,530	4,839,240	0.69%
GT Capital Holdings Inc (GTPPB)	27,800	7,160,760	1.03%	13,560	7,160,760	0.19%
San Miguel Corporation (SMC2B)	52,695	90,428,200	0.14%	-	-	-
San Miguel Corporation (SMC2F)	165,710	223,333,500	0.47%	-	-	-
San Miguel Corporation (SMC2C)	5,500	255,559,400	0.02%	-	-	-
San Miguel Corporation (SMC2I)	40,000	164,000,000	0.11%	-	-	-
San Miguel Corporation (SMC2J)	808,500	169,333,400	2.27%	-	-	-
San Miguel Corporation (SMC2E)	4,000	134,000,100	0.01%	-	-	-
San Miguel Corporation (SMC2G)	30,000	66,666,600	0.08%	-	-	-
CHEMEX Holdings Philippines, Inc.	-	-	-	3,546,600	5,195,395,454	0.07%
Emperador Inc.	-	-	-	78,700	16,120,000,000	0.00%
<b>RIZAL PISO CASH MANAGEMENT FUND</b>	<b>4,874,130</b>	<b>3,308,363,553</b>	<b>0.18%</b>	<b>4,874,130</b>	<b>2,844,717,707</b>	<b>0.17%</b>
<b>SB PISO MONEY MARKET FUND</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109,048,925</b>	<b>27,435,200,000</b>	<b>0.40%</b>
<b>UCPB CASH MANAGEMENT FUND</b>	<b>11,985</b>	<b>1,195,885,436</b>	<b>0.00%</b>	<b>11,985</b>	<b>1,127,377,230</b>	<b>0.00%</b>

**Treasury Notes**

PIBD2535L086	3,521,186	163,216,530,000	0.00%	-	-	-
PIBD2540L116	31,672,071	142,558,010,000	0.02%	76,504,912	142,558,010,000	0.05%
US718286BM88	167,437,860	***	***	-	-	-
US718286BX44	29,056,800	***	***	-	-	-
PIBD2031G171	-	-	-	219,391,880	255,837,150,000	0.09%
PIBD10251608	-	-	-	72,339,665	121,479,520,000	0.06%
PIBD0723D588	-	-	-	237,804,321	25,000,000,000	0.95%

**iii Total Investment in Liquid or Semi-Liquid Assets to Total Assets**  
As of March 31, 2017 and December 31, 2016

	2017	2016
Total Liquid and Semi-Liquid Assets	2,853,116,599	2,767,923,260
TOTAL ASSETS	2,853,268,102	2,767,923,260
Total Investment in Liquid or Semi-Liquid Assets to Total Assets	100%	100%

**iv. Total Operating Expenses to Total Net Worth**  
As of March 31, 2017 and December 31, 2016

	2017	2016
Total Operating Expenses	21,416,558	93,158,314
Average Daily Net Worth	2,830,794,128	3,065,713,609
Total Operating Expenses to Total Net Worth	0.76%	3.04%

**v. Total Assets to Total Borrowings**  
As of March 31, 2017 and December 31, 2016

	2017	2016
Total Assets	2,853,268,102	2,767,923,260
Total Borrowings	52,726,129	9,110,159
Total Assets to Total Borrowings	5411%	30383%

This document contains key information you should know about the Sun Life Prosperity Dynamic Fund. You can find more detailed information in the Fund's prospectus. Ask your advisor for a copy, contact the manager, Sun Life Asset Management Company, Inc., at 849-9888 or [phil\\_prosperity@sunlife.com](mailto:phil_prosperity@sunlife.com) or visit [www.sunlifefunds.com](http://www.sunlifefunds.com).

Launch Date	July 1, 2014	Minimum Holding Period	30 days	Minimum Subscription	PHP 50,000
Fund Size	PHP 2,850,416,700.14	Management and Distribution Fee	2.50%	Minimum Subsequent	PHP 10,000
Net Asset Value Per Share	0.9289	Transfer Agency Fee	0.15%	Risk Classification	Moderate to High
Benchmark	50% PSEI + 50% Bloomberg Sovereign Bond Index	Early Redemption Fee	1.00%		

## What does the Fund invest in?

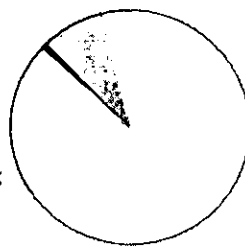
The Sun Life Prosperity Dynamic Fund is an adaptive and agile mutual fund that allows you to maximize gains through the opportunistic re-balancing of its portfolio between equities and fixed income assets. It is a one-decision mutual fund that quickly shifts between fixed income and equities, depending on prevailing market conditions, in order to yield better returns.

The Fund's investment objective is to generate long-term capital appreciation through investment in equity securities and/or in government and corporate debt securities denominated in Philippine Pesos. The Fund will adopt a tactical asset allocation approach by having the ability to switch between equities, bonds, and cash with a wider range in the permitted shift in allocation between equities and fixed-income assets when needed.

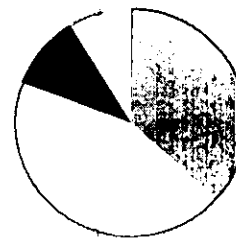
### Top Equity Holdings

1. SM Investments Corporation, 6.56%
2. Ayala Land Inc., 4.28%
3. SM Prime Holdings Inc., 4.17%
4. BDO Unibank Inc., 3.72%
5. Metro Pacific Investments, 3.07%
6. Metropolitan Bank & Trust Co., 2.97%
7. JG Summit Holdings Inc., 2.72%
8. Ayala Corporation, 2.47%
9. Semirara Mining and Power Corp., 2.4%
10. Universal Robina Corporation, 2.38%

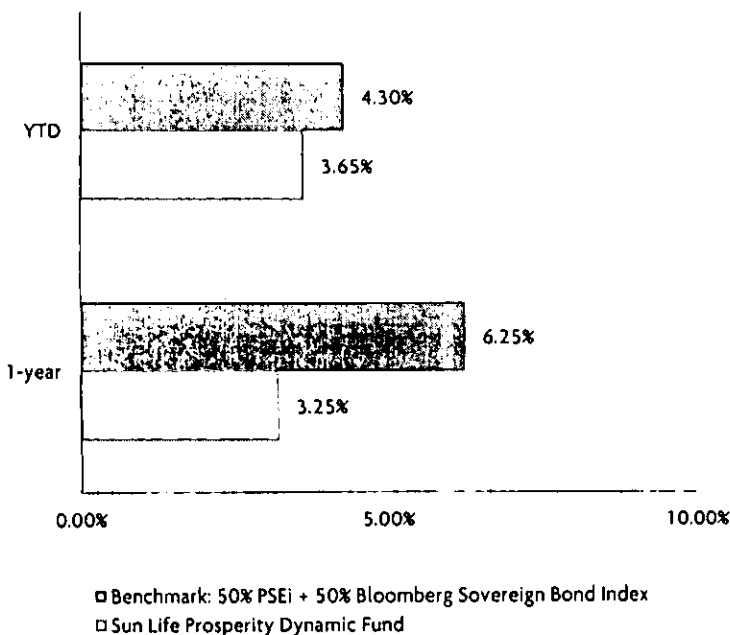
### Investment Mix



### Sector Allocation



## How has the Fund performed?



## What is the outlook on the market?

The PSEI had a solid start to the year, jumping 5.7% in the month of January. Bulk of the gains were largely seen during the first trading week of the year as local investors snapped up bargains which were heavily sold down during the last trading weeks of 2016. Foreigners were also net buyers for the first time since August 2016 as net foreign inflows amounted to USD\$ 8m. However, volumes remained thin for January as average value turnover amounted to only USD\$ 119m compared to USD\$ 157m for 2016.

For the month, the services (+9.26%) and property sectors (+7.16%) led the gainers while the mining (+1.87%) and industrial sectors (+2.99%) were the laggards.

After five straight months of taking a beating, local government securities finally took a breather and started the year right with yields rallying for about 40 basis points for the liquid ten-year and fifteen-year government securities. The local market was unfazed by supply concerns on Bureau of Treasury's Q1 borrowing program which was 45 billion higher from last year, higher oil prices as well as expectations of continued weakness of peso for 2017. Instead, the market decided to pay heed to declining US yields, December inflation within expectations, and the relatively weak USD.

The Fund rose 3.65% during the month, underperforming its benchmark by 65 bps mostly due to sector allocation in equities, particularly its exposure in preferreds, and allocation in cash. Meanwhile, asset allocation between equities and fixed income improved the return.

We expect volume to pick up in February as investors start to digest Trump's policies following his inauguration last January. Market players will closely examine if President Trump will follow through on his controversial campaign rhetoric centering on protectionist policies. Domestically, focus will be on corporate earnings with expectations implying an 8% jump YoY for FY16. Moreover, impact of potential protectionist policies may also harm US BPO firms operating in the Philippines and headlines focusing on these will be followed closely as well. In the short term, we expect the PSEI to trade within the 7,000 to 7,400 range.

Invest wisely. Investing involves risk and there is no guarantee that the Funds will meet their stated objectives and/or that you will not lose money on your investment. Past performance is not indicative of and does not represent future returns. Share values and yields fluctuate so your shares may be worth more or less than your original investment. Current Fund performance may be lower or higher than the performance quoted so you may not get back the full amount of your original investment. Please consider the Funds' investment objectives, risks, charges and expenses before investing. You can find additional information, including important risk considerations, in the Sun Life Prosperity Funds' prospectuses, which may be obtained from duly authorized Sun Life Prosperity Fund Distributors, or by calling 849-9888 or visiting [www.sunlifefunds.com](http://www.sunlifefunds.com). Read the prospectuses carefully before investing.

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Launch Date	July 1, 2014	Minimum Holding Period	30 days	Minimum Subscription	PHP 50,000
Fund Size	PHP 2,807,881,220.47	Management and Distribution Fee	2.50%	Minimum Subsequent	PHP 10,000
Net Asset Value Per Share	0.9228	Transfer Agency Fee	0.15%	Risk Classification	Moderate to High
Benchmark	50% PSEI + 50% Bloomberg Sovereign Bond Index	Early Redemption Fee	1.00%		

## What does the Fund invest in?

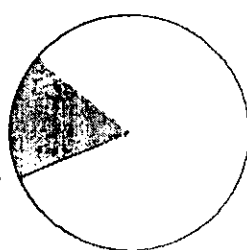
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The Fund's investment objective is to generate long-term capital appreciation through investment in equity securities and/or in government and corporate debt securities denominated in Philippine Pesos. The Fund will adopt a tactical asset allocation approach by having the ability to switch between equities, bonds, and cash with a wider range in the permitted shift in allocation between equities and fixed-income assets when needed.

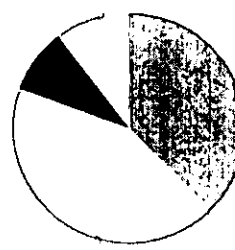
### Top Equity Holdings

1. SM Investments Corporation, 5.27%
2. SM Prime Holdings Inc., 3.86%
3. Ayala Land Inc., 3.85%
4. BDO Unibank Inc., 3.14%
5. Metro Pacific Investments, 2.68%
6. Metropolitan Bank & Trust Co., 2.57%
7. JG Summit Holdings Inc., 2.48%
8. Ayala Corporation, 2.48%
9. GT Capital Holdings Inc., 2.31%
10. Semirara Mining and Power Corp., 2.01%

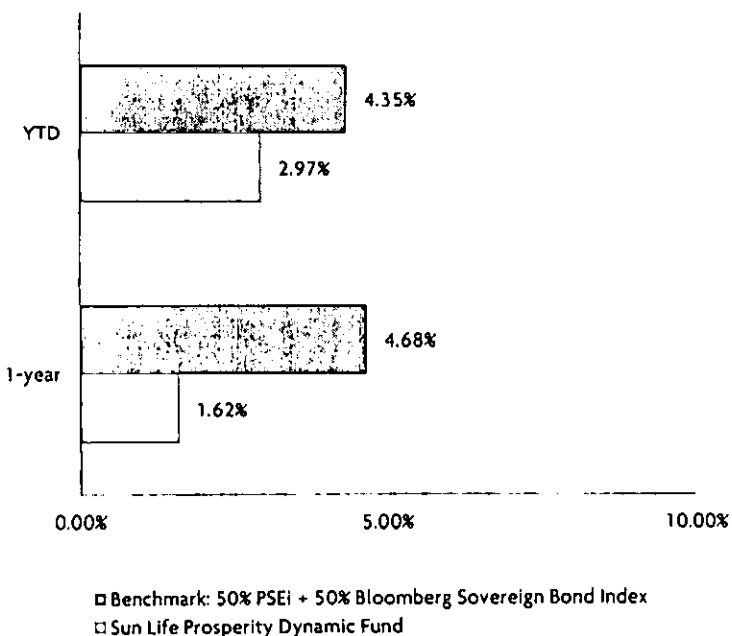
### Investment Mix



### Sector Allocation



## How has the Fund performed?



## Market Review

- PSEI was down 0.2% for the month to end at 7,212, still within the past 2-month trading range of 7,100 to 7,400. On the other hand, peso bonds ended flat during the month
- Market drivers: On equities (1) Foreigners turned net sellers by \$104m; (2) full year 2016 corporate earnings mostly within expectations which grew by 11%. On fixed income (1) January inflation hits 2-year high of 2.7%; (2) BSP kept rates unchanged at 3%
- The fund fell 0.66% during the month, underperforming its benchmark by 0.71%. Overweight in equities contributed to the performance drag for the month.

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Launch Date	July 1, 2014	Minimum Holding Period	30 days	Minimum Subscription	PHP 50,000
Fund Size	PHP 2,800,661,014.15	Management and Distribution Fee	2.50%	Minimum Subsequent	PHP 10,000
Net Asset Value Per Share	0.9239	Transfer Agency Fee	0.15%	Risk Classification	Moderate to High
Benchmark	50% PSEI + 50% Bloomberg Sovereign Bond Index	Early Redemption Fee	1.00%		

## What does the Fund invest in?

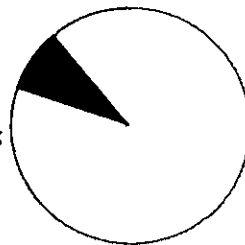
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### Top Equity Holdings

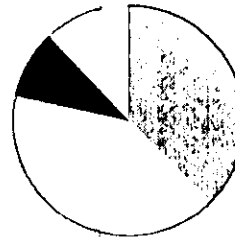
1. SM Investments Corporation, 5.48%
2. SM Prime Holdings Inc., 3.67%
3. Ayala Land Inc., 3.65%
4. BDO Unibank Inc., 3.51%
5. Metropolitan Bank & Trust Co., 2.81%
6. Metro Pacific Investments, 2.72%
7. Ayala Corporation, 2.69%
8. JG Summit Holdings Inc., 2.63%
9. GT Capital Holdings Inc., 2.22%
10. Semirara Mining and Power Corp., 2.11%

### Investment Mix



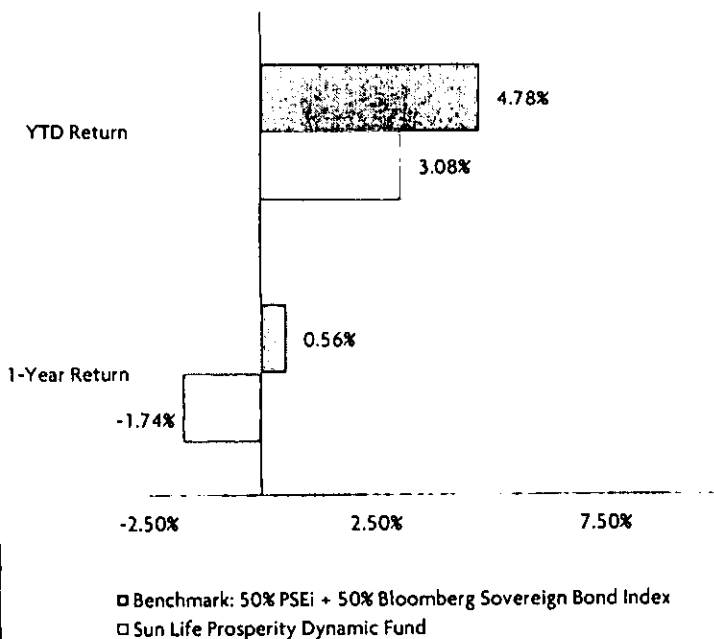
- Equities 63.53%
- Government Bonds 8.12%
- Corporate Bonds 8.44%
- Money Market Placements 8.94%
- Cash and Other Liquid Assets 10.97%

### Sector Allocation



- Holding Firms / Conglomerates 31.67%
- Utility / Energy 7.12%
- Property 12.78%
- Banks/Financial Services 14.83%
- Consumer / Retail 8.00%
- Communications 4.45%
- Transport Services 2.41%
- Mining 3.32%

## How has the Fund performed?



## Market Review

- PSEi was up 1.4% for the month to end at 7,311 while the peso all bond index ended lower by 2.18%.
- Market drivers: (1) Full-year 2016 earnings were up 17%, ahead of expectations (2) February loans growth up by 17%; (3) OFW remittances were up by 8.6%; (4) BSP kept policy rate unchanged; and (5) recent auction of government bonds were oversubscribed and fetched higher rates.
- The Fund inched higher during the month, outperforming its benchmark by at least 0.58%.

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