

PHILEQUITY DIVIDEND YIELD FUND, INC.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO: ALL STOCKHOLDERS

NOTICE is hereby given that there will be an annual meeting of the stockholders of **Philequity Dividend Yield Fund, Inc.** (the 'Fund') on **Saturday, 31 August 2019**, at **9:50 a.m.** at the **Meralco Theater, Ortigas Avenue, Pasig City** to consider the following:

AGENDA

1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Approval of the Minutes of the Previous Meetings of Stockholders
5. Approval of 2018 Operations and Results
6. Ratification of all Acts of the Board of Directors and Officers
7. Election of Directors
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

The Fund has, in accordance with its By-Laws, fixed the close of business on **25 July 2019** as the record date for the determination of the stockholders entitled to notice of and vote at said meeting and any adjournment thereof.

Registration for those who are personally attending the meeting will start at 8:00 a.m. and end promptly at 8:30 a.m. All stockholders who will not, are unable, or do not expect to attend the meeting in person are encouraged to date, sign, and send a proxy to the Fund's business address at 15th Floor, Philippine Stock Exchange, 5th Ave. cor. 28th Street, Bonifacio Global City, Taguig City, Metro Manila. All proxies should be received by the Fund **at least ten (10) days** before the meeting, or on or before **21 August 2019 (Wednesday)**. Proxies submitted shall be validated by a Committee of Inspectors on 22 August 2019 at one o'clock in the afternoon at 15th Floor, Philippine Stock Exchange, 5th Ave. cor. 28th Street, Bonifacio Global City, Taguig City, Metro Manila. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

To avoid inconvenience in registering your attendance at the meeting, you or your proxies are requested to bring identification paper(s) containing a photograph and signature, e.g. passport, driver's license, etc.

City of Taguig, Metro Manila, 07 August 2019.


ANN MARGARET K. LORENZO
Assistant Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

Information Statement Pursuant to Section 20
of The Securities Regulation Code

-
1. Check the appropriate box:
[] Preliminary Information Statement [☒] Definitive Information Statement
2. Name of Company as specified in its charter: **Philequity Dividend Yield Fund, Inc.**
3. Province, country, or other jurisdiction of incorporation or organization: Metro Manila, Philippines
4. SEC Identification Number: CS201214318
5. BIR Tax Identification Code: 008-342-256-000
6. Address of principal office: 15th Floor, Philippine Stock Exchange, 5th Ave. cor. 28th Street, Bonifacio Global City, Taguig City, Metro Manila 1630
7. Company's telephone number, including area code: (632) 250-8700
8. Date, time and place of the meeting of security holders:
Date : 31 August 2019
Time : 9:50 a.m.
Venue : Meralco Theater, Ortigas Avenue, Pasig City
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **07 August 2019**
10. Securities registered pursuant to sections 8 and 12 of the Code (information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class | Number of shares of
Common Stock Outstanding |
|-------------------------------|---|
| Common Stock, P1.00 par value | 1,980,651,143
(as of 31 July 2019) |
11. Are any or all Company's securities listed on a Stock Exchange?
Yes [] No [☒]

WE ARE NOT ASKING OR REQUIRING YOU TO SEND US A PROXY

GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders

- A. **Date** : 31 August 2019
Time : 9:50 a.m.
Venue : Meralco Theater, Ortigas Avenue, Pasig City

Mailing Address: 15th Floor, Philippine Stock Exchange, 5th Ave. cor. 28th Street, Bonifacio Global City, Taguig City, Metro Manila 1630

- B. The approximate date on which this Information Statement will be sent or given to security holders is on 07 August 2019.

Item 2. Dissenter's Right of Appraisal

The Revised Corporation Code of the Philippines, specifically Sections 41 and 80 thereof, gives to a dissenting stockholder who votes against certain corporate actions specified by law, the right to demand payment of the fair market value of their shares, commonly referred to as Appraisal Right.

The following are the instances provided by law when dissenting stockholders can exercise their Appraisal Right:

1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code;
3. In case the Company decides to invest its Funds in another corporation or business outside of its primary purpose; and
4. In case of merger or consolidation.

There is no matter or item to be submitted to a vote or acted upon in the annual stockholders' meeting of Philequity Dividend Yield Fund, Inc. (hereinafter referred to as the 'Fund' or the 'Company') which falls under the instances provided by law when dissenting stockholders can exercise their Appraisal Right.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- A. No person who has been a director or officer or a nominee for election as director of the Company or associate of such persons, has a substantial interest, direct or indirect in any matter to be acted upon other than the election of directors for the year 2019-2020.
- B. No director of the Company has informed the Company in writing that he intends to oppose any action to be taken by the Company at the meeting.

CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- A. The Company has **1,980,651,143** outstanding common shares as of **31 July 2019**. Each common share shall be entitled to one vote with respect to all matters to be taken up during the annual stockholders' meeting.
- B. The record date for determining stockholders entitled to notice of and to vote during the annual stockholders' meeting is on **25 July 2019**.

C. In the forthcoming annual stockholders' meeting, stockholders shall be entitled to elect seven (7) members to the Board of Directors. Each stockholder may vote such number of shares for as many as seven (7) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by seven (7) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by seven (7).

D. Security Ownership of Certain Record and Beneficial Owners

(1) Security Ownership of Certain Record and Beneficial Owners

The SEC has approved the Company's request for confidential treatment of information regarding the holders of the Company's shares. A separate disclosure was filed with the Commission.

(2) Security Ownership of Management

The following is a tabular presentation of the shares beneficially owned by all directors and executive officers of the Company as of 31 July 2019:

Class	Name of Director	Citizenship	No. of Shares	Percentage
Common	Ignacio B. Gimenez	Filipino	1	0.00%
Common	Violeta O. Luym	Filipino	3,811,890	0.19%
Common	Dobbin A. Tan	Filipino	2	0.00%
Common	Gregorio U. Kilayko	Filipino	1	0.00%
Common	Leo M. Garcia	Filipino	1	0.00%
Common	Aurora L. Shih	Filipino	1	0.00%
Common	Ramon Y. Sy	Filipino	61,171,550	3.08%
TOTAL			64,983,446	3.27%

(3) Voting Trust Holders of 5% or more

There is no party which holds any voting trust or any similar agreement relating to 5% or more of the Company's voting securities.

(4) Changes in Control

The Company is not aware of any arrangement which may result in a change in control of the Company. There has been no change in control of the Company since the beginning of the last fiscal year.

Item 5. Directors and Executive Officers

A. Directors, Executive Officers, Promoters and Control Persons

The names, ages, and periods of service of all incumbent Directors and Executive Officers of the Fund, are as follows:

Name	Position	Citizenship	Age	Periods Served
Ignacio B. Gimenez	Chairman and President	Filipino	74	Incorporation to Present
Violeta O. Luym	Director and Treasurer	Filipino	72	Incorporation to Present
Dobbin A. Tan	Independent Director	Filipino	55	2018 to Present
Gregorio U. Kilayko	Independent Director	Filipino	64	Incorporation to Present
Leo M. Garcia	Director	Filipino	84	2013 to Present
Aurora L. Shih	Director	Filipino	78	2013 to Present

Ramon Y. Sy	Director	Filipino	88	2013 to Present
A. Bayani K. Tan	Corporate Secretary	Filipino	63	Incorporation to Present
Ann Margaret K. Lorenzo	Assistant Corporate Secretary	Filipino	30	2017 to Present

The information on the business affiliations and experiences of the following persons who are also nominated for election as members of the Board for 2019-2020, to serve a period of one (1) year until their successors shall have qualified, and officers of the Company are current and/or within the past five (5) years. All nominees who is nominated for election as Independent Director, are incumbent directors.

Ignacio B. Gimenez

Mr. Gimenez is the Chairman and President of the Fund. He is also the Chairman and President of the following mutual funds: Philequity Peso Bond Fund, Inc., Philequity Dollar Income Fund, Inc., Philequity PSE Index Fund, Inc., Philequity Fund, Inc., Philequity Balanced Fund, Inc., Philequity Foreign Currency Fixed Income, Philequity Resources Fund, Inc., Philequity Strategic Growth Fund, Inc., Philequity MSCI Philippines Index Fund, Inc., Philequity Alpha One Fund, Inc., and Philequity Global Fund, Inc. Concurrently, he is also a Director of Vantage Equities Inc., and Vantage Financial Corporation. At the same time, he also holds positions as Chairman of Philippine Investment Funds Association (PIFA) and as President of I.B. Gimenez Securities, Inc. He holds a graduate degree in Business Administration from the Asian Institute of Management (1970) and a college degree from the University of the Philippines (1967).

Violeta O. Luym

Ms. Luym is a Director and the Treasurer of the Fund since 1994. She is also a Director and the Treasurer of the following mutual funds: Philequity Dollar Income Fund, Inc., Philequity Peso Bond Fund, Inc., Philequity Fund, Inc., Philequity MSCI Philippines index Fund, Inc., Philequity Alpha One Fund, Inc., Philequity Global Fund, Inc., Philequity Resources Fund, Inc., Philequity Strategic Growth Fund, Inc., Philequity Foreign Currency Fixed Income Fund, Inc., Philequity PSE Index Fund, Inc., and Philequity Balanced Fund, Inc. She is also a Director and the Treasurer of BDO Capital & Investment Corporation and Venture Vision Realty Development Corporation. She also serves as a Director of BDO Private Bank, Inc., and Tangiers Resources Corporation. She is likewise the Corporate Secretary of Homeworld Shopping Corporation. She was also a director of Banco de Oro Universal Bank from 1967 to 2006. She holds a Master's Degree in Business Administration from the University of California Los Angeles (1968) and a Bachelor of Science Degree in Business Administration from the Assumption College (1967).

Dobbin A. Tan (independent Director)

Mr. Tan is an Independent Director of the Fund. He is also an Independent Director of the following mutual fund companies: Philequity Peso Bond Fund, Inc., Philequity MSCI Philippines Index Fund, Inc., Philequity Dollar Income Fund, Inc., Philequity PSE Index Fund, Inc., Philequity Fund, Inc., Philequity Alpha One Fund, Inc., Philequity Global Fund, Inc., Philequity Foreign Currency Fixed Income Fund, Inc., Philequity Resources Fund, Inc., Philequity Balanced Fund, Inc., and Philequity Strategic Growth Fund, Inc. He is currently the CEO of New Sunlife Ventures Inc., Rising Tide Mobile Entertainment, Inc., and Red Rock Securities, Inc. He is also the School Treasurer of Xavier School, Inc. Mr. Tan also serves as an Independent Director of Alliance Select Foods International, Inc. He was also the former Managing Director and Chief Operating Officer of Information Gateway (2002-2012). Mr. Tan holds a Master's degree in Business Administration from the University of Chicago, Booth School of Business and a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University.

Gregorio U. Kilayko (Independent Director)

Mr. Kilayko is an Independent Director of the Fund. He is also an Independent Director of the following mutual fund companies: Philequity PSE Index Fund, Inc., Philequity Peso Bond Fund, Inc. and Philequity Dollar Income Fund, Inc. He concurrently serves as an Independent Director

of Belle Corporation and SM Prime Holdings, Inc. He is the former Chairman of ABN Amro's banking operations in the Philippines. He was the founding head of ING Barings' stock brokerage and investment banking business in the Philippines, and a Philippine Stock Exchange Governor in 1996 and 2000. He was a director of the Philippine Stock Exchange in 2003. Mr. Kilayko holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania.

Leo M. Garcia

Mr. Garcia is a Director of the Fund. He is also a Director of the following mutual funds: Philequity Foreign Currency Fixed Income Fund, Inc., Philequity Resources Fund, Inc., Philequity Balanced Fund, Inc., Philequity Alpha One Fund, Inc., Philequity Global Fund, Inc., Philequity Strategic Growth Fund, Inc., Philequity MSCI Philippines Index Fund, Inc., and Philequity PSE Index Fund, Inc. He is also the President of LM Garcia Securities Corporation (1980 to 1997). Mr. Garcia holds a Bachelor of Science in Business Administration degree from the University of the Philippines (1958).

Aurora L. Shih

Ms. Shih is a Director of the Fund. She is also a Director of the following mutual fund companies: Philequity Peso Bond Fund, Inc., Philequity Dollar Income Fund, Inc., Philequity Fund, Inc., Philequity MSCI Philippines Index Fund, Inc., Philequity Alpha One Fund, Inc., and Philequity Global Fund, Inc. She is also the Vice President of Luys Securities Company, Inc. Ms. Shih graduated from University of the East with a degree in Business Administration (1963).

Ramon Y. Sy

Mr. Sy is a Director the Fund. He is also a Director of the following mutual funds: Philequity Dollar Income Fund, Inc., Philequity Peso Bond Fund, Inc., Philequity Strategic Growth Fund, Inc., Philequity Foreign Currency Fixed Income Fund, Inc., Philequity Resources Fund, Inc., Philequity Balanced Fund, Inc. Philequity PSE Index Fund, Inc., Philequity Alpha One Fund, Inc., Philequity Global Fund, Inc., Philequity MSCI Philippines Index Fund, Inc., and Philequity Fund, Inc. Mr. Sy also serves as the Vice Chairman and a Director of Asia United Bank Corporation (2012 to present). Mr. Sy also serves as Chairman of the following companies: Apex Mining Co., Inc. (publicly-listed), Ramsy Corporation, Xcell Property Ventures, Inc. Mr. Sy also served as the President and Chief Executive Officer of the United Coconut Planters Bank (2007-2011). He was formerly the President and CEO of International Exchange Bank and was also Vice Chairman of Metropolitan Bank and Trust Corporation He graduated with a degree of Bachelor of Science in Commerce from Far Eastern University (1952) and Master of Business Administration from the University of the Philippines. He also received a Doctor of Humanities (Honoris Causa) from Far Eastern University and Doctor of Public Administration (Honoris Causa) from Centro Escolar University.

A. Bayani K. Tan

Mr. A. Bayani K. Tan, 63, Filipino, is the Corporate Secretary of the Corporation (since January 2013). He is also a Director, Corporate Secretary or both of the following reporting and/or listed companies: Belle Corporation (since May 1994, Publicly Listed), Coal Asia Holdings, Inc. (since July 2012, Publicly-Listed), Discovery World Corporation (since March 2013, Publicly-Listed), I-Remit, Inc. (since May 2007, Publicly-Listed), Pacific Online Systems Corporation (since May 2007, Publicly-Listed), Philequity Dollar Income Fund, Inc. (since March 1999), Philequity Fund, Inc. (since June 1997), Philequity MSCI Philippines Index Fund, Inc. (since December 2017), Philequity Peso Bond Fund, Inc. (since June 2000), Philequity PSE Index Fund, Inc. (since February 1999), Premium Leisure Corporation (since December 1993, Publicly-Listed), Sterling Bank of Asia Inc (A Savings Bank) (since December 2006), TKC Metals Corporation (since February 2007, Publicly-Listed), Tagaytay Highlands International Golf Club, Inc. (since November 1993), Tagaytay Midlands Golf Club, Inc. (since June 1997), The Country Club at Tagaytay Highlands, Inc. (since August 1995), The Spa and Lodge at Tagaytay Highlands, Inc. (since December 1999), and Vantage Equities, Inc. (since January 1993, Publicly-Listed). He is the Managing Partner of the law offices of Tan Venturanza Valdez (since it was established

in 1988), Managing Director/President of Shamrock Development Corporation (since May 1988), Director of Destiny LendFund, Inc. (since December 2005), Pascual Laboratories, Inc. (since March 2014), and Pure Energy Holdings Corporation (since October 2016), President of Catarman Chamber Elementary School Foundation, Inc. (since August 2012), Managing Trustee of SCTan Foundation, Inc. (since 1986), Trustee and Treasurer of Rebisco Foundation, Inc. (since April 2013) and Trustee and Corporate Secretary of St. Scholastica's Hospital, Inc. (since February 2011).

Mr. Tan holds a Master of Laws degree from New York University (Class of 1988) and earned his Bachelor of Laws degree from the University of the Philippines (Class of 1980) where he was a member of the Order of the Purple Feather (U.P. College of Law Honor Society) and ranked ninth in his class. Mr. Tan passed the bar examinations in 1981 where he placed sixth. He has a Bachelor of Arts major in Political Science degree from the San Beda College (Class of 1976) from where he graduated Class Valedictorian and was awarded the medal for Academic Excellence.

Ann Margaret K. Lorenzo

Ann Margaret K. Lorenzo is the Assistant Corporate Secretary of the Fund. She concurrently serves as Assistant Corporate Secretary/Corporate Secretary of the following listed firms: Vantage Equities, Inc., Asia United Bank Corporation, TKC Metals Corporation, Coal Asia Holdings, Incorporated and Crown Asia Chemicals Corporation. She also serves as Assistant Corporate Secretary of the following reporting companies: Philequity PSE Index Fund, Inc., Philequity Peso Bond Fund, Inc., Philequity Dollar Income Fund, Inc., Philequity MSCI Philippines Index Fund, Inc., and Philequity Fund, Inc. She is also the Assistant Corporate Secretary of the following private companies: Philequity Strategic Growth Fund, Inc., Philequity Balanced Fund, Inc., Philequity Resources Fund, Inc., Philequity Foreign Currency Fixed Income Fund, Inc., Philequity Alpha One Fund, Inc, and Philequity Global Fund, Inc. She is also the Corporate Secretary of Athena Ventures, Inc., Galileo Software Services, Inc. and GGO Realty Holdings, Inc. Ms. Lorenzo is currently an Associate at Tan Venturanza Valdez. She holds a Juris Doctor and a Bachelor of Arts Degree in English Studies, cum laude, from the University of the Philippines obtained in 2010 and 2014, respectively. She was admitted to the Philippine Bar in April 2015.

Ma. Angelica D. Cabanit

Ms. Cabanit is the Compliance Officer of the Fund. She is likewise the Compliance Officer of Vantage Equities, Inc. and all other Philequity Funds. Presently, she manages the Treasury Operations of Vantage Equities, Inc. as well as the settlement and transaction control of Vantage Financial Corporation (2010 to present). Ms. Cabanit is a graduate of Bachelor of Science in Commerce major in Accounting from St. Scholastica's College (1989).

Nomination of Directors

The Fund's Board of Directors, inclusive of both the independent and regular Directors, shall be nominated by the Nomination Committee and elected during the annual stockholders' meeting to serve for a term of ONE (1) YEAR until their successors shall have been duly elected and qualified. All nominations shall be submitted to the Nomination Committee by any stockholder of record within such reasonable time to allow the Nomination Committee sufficient time to assess and evaluate the qualifications of the nominees.

The Nomination Committee is responsible for providing the stockholders with an independent and objective evaluation and assurance that the membership of its Board is competent and will foster its long-term success and secure its competitiveness. It is likewise responsible for the review and evaluation of the qualifications of all persons nominated to positions requiring appointment by the Board and the assessment of the Board's effectiveness in directing the process of renewing and replacing Board members. The Fund's Nomination Committee is composed of three (3) members from the Board, consisting of Messrs. Ignacio B. Gimenez (Chairman) and Gregorio U. Kilayko and Ms. Violeta O. Luym.

Independent Directors

The nomination, pre-screening and election of independent directors were made in compliance with the requirements of the Revised Code of Corporate Governance and the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors which have been adopted and made part of the Corporation's By-Laws. The Nomination Committee constituted by the Company's Board of Directors, indorsed the respective nominations given in favor of Messrs. Dobbin A. Tan (by Ms. Felipe U. Yap), and Gregorio U. Kilayko (by Ms. Aurora L. Shih).

The Nomination Committee has determined that these nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Company's Amended Manual on Corporate Governance and Rule 38 of the Implementing Rules of the Securities Regulation Code (SRC).

The nominees, whose required information are discussed above (Board of Directors section), are in no way related to the stockholders who nominated them and have signified their acceptance of the nominations. These nominees are expected to attend the scheduled Annual Stockholders' Meeting.

B. Significant Employees

The Company has no significant employees.

C. Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, or persons, nominated by the Company to become directors or executive officers of the Company.

D. Material Pending Legal Proceedings

Except as provided in the succeeding paragraph, to the best of the Company's knowledge, there has been no occurrence since the time of its incorporation up to this date of any of the following events that are material to an evaluation of the ability or integrity of any director, any nominee for election as director or executive officer of the Company:

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

As a result of the delay in the delivery of the facilities of the Universal Leisure Club, Inc., some of its members initiated a Complaint for Estafa (I.S. No. 08K-19713) against ULC, the Universal Rightfield Property Holdings, Inc. and the Universal Leisure Corp., as well as their respective officers and directors, including their former Corporate Secretary, Atty. A. Bayani K. Tan, the incumbent Corporate Secretary of the Corporation. The Complaint was submitted for resolution

in 2009 and was acted upon and dismissed by the City Prosecutor of Manila (OCP) only on March 18, 2013. Complainants belatedly filed motion for reconsideration for which reason, among others, the OCP denied motion on June 16, 2014. A Petition for Review dated March 31, 2014 was filed by the Complainant before the Department of Justice (DOJ). On August 7, 2014, Atty. Tan filed his Comment to the said Petition. In a Resolution dated April 17, 2015, the Petition for Review was denied and the DOJ dismissed the complaint for Estafa.

E. Certain Relationships and Related Transactions/List of Parents of Company

The Fund has an existing Agreement with PEMI, the Fund manager. Pursuant to the terms of the Management and Distribution Agreement, the Fund shall pay an annual management fee of a maximum of 1.50% of the average NAV of the Fund's assets. The NAV shall be determined in accordance with the procedures agreed upon by both parties. Also, the Fund shall remit to PEMI sales commission of a maximum of 5.00% of the gross investment based on tiered-front end sales schedule.

Related party transactions and balances with Philequity Management, Inc. (PEMI), the Fund's Fund Manager, as of and for the year ended December 31, 2018, 2017, and 2016 are as follows:

	Management Fee	Sales Commission	Due to PEMI
2018	₱44,934,756	₱ 99,843	₱3,138,616
2017	₱56,623,837	₱ 110,074	₱3,663,123
2016	₱68,706,506	₱977,307	₱4,744,001

Due to related parties includes amount payable to PEMI for management fees, sales load fees, exit fees, and other expenses. This is included as part of "Accrued expenses and other liabilities" account in the statements of financial position.

The Fund has no key management personnel. The key management functions are being handled by PEMI.

F. Disagreement with Director

None of the directors have resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of security holders because of disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Item 6. Compensation of Directors and Executive Officers

The directors and officers have not received any form of compensation from inception up to present. Their contributed efforts to the Fund are on voluntary basis only. Also, there are no bonuses, profit sharing or other compensation plan, pension or retirement plan, contract or arrangement in which any director, nominee for election as a director, or executive officer of the Fund will participate. There are no outstanding warrants or options issued by the Fund.

Item 7. Independent Public Accountants

The Company's Board of Directors reviews and approves the engagement of services of the Company external auditors, who are appointed upon the recommendation of the Audit Committee, and which appointment shall be ratified by the stockholders during the annual stockholders' meeting. The Chairman of the Company's Audit Committee is Mr. Dobbin A. Tan, an independent director. The two other members of the Committee are Mr. Leo M. Garcia and Ms. Violeta O. Luym.

The principal accountants and external auditors of the Company is the accounting firm of SyCip, Gorres, Velayo & Company ("SGV & Co.") with address at SGV Building, 6760 Ayala Avenue, Makati City. The same accounting firm is being recommended for re-election at the scheduled annual meeting. Representatives of the said firm are expected to be present at the upcoming

annual stockholders' meeting to respond to appropriate questions and to make a statement if they so desire.

In compliance with SRC Rule 68(3)(b)(iv), as amended, the assignment of SGV's engagement partner for the Fund shall not exceed five (5) consecutive years. Mr. Michael Sabado was the partner in charge for the year 2017 and Juan Carlo B. Maminta from 2018 up to the present.

The audit and audit-related fees paid by the Company in the last two (2) fiscal years are as follows:

A. Audit and Audit-related Fees	2018	2017
1. Audit of the registrant's annual financial statements or services that are normally provided by the external auditor in connection with the statutory and regulatory filings or engagements.	P84,117	P84,117
2. Other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements.	N/A	N/A
B. Taxes/Fees	-	-
C. All other Fees	-	-

It is the Fund's Board of Directors which approves the audit fees as recommended by the Audit Committee.

The Independent Accountant does not render tax accounting compliance, advice, planning and other forms of tax services for the Company. The Independent Accountant also does not render other services for the Company.

OTHER MATTERS

Item 15. Action with Respect to Reports

The Company will seek the approval by the stockholders of the Minutes of the previous Stockholders' Meeting during which the following were taken up: (1) Call to Order, (2) Proof of Notice of Meeting, (3) Certification of Quorum, (4) Approval of the Minutes of the Previous Meeting of Stockholders, (5) Approval of 2017 Operations and Results, (6) Ratification of all Acts of the Board of Directors and Officers, (7) Election of Directors, (8) Appointment of External Auditors, (9) Delegation to the Board of the Power to Amend or Repeal By-Laws or to Adopt New By-Laws, (10) Other Matters, and (11) Adjournment.

Management reports will be submitted for approval by the stockholders at the meeting. Approval of the reports will constitute approval and ratification of the acts of management for the past year.

Item 16. Matters Not Required to be Submitted

No action is to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 18. Other Proposed Action

The items covered with respect to the ratification of the acts of the Board of Directors and officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business, such as the opening of bank accounts and designation of bank

signatories, financing activities of the Company, transfer of BIR RDO, authorization to undergo Case Monitoring System with the BIR, and other requirements in connection with the Company's operations.

Item 19. Voting Procedures

Each stockholder shall be entitled to one (1) vote, in person or thru proxy for each share with voting right. All elections and all questions, except as otherwise provided by law, shall be decided by the plurality vote of the stockholders present in person or by proxy, a quorum (majority of the issued and outstanding capital stock having voting powers) being present. For the election of Directors, stockholders shall be entitled to elect seven (7) members to the Board of Directors. Each stockholder may vote such number of shares for as many as seven (7) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by seven (7) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by seven (7). The seven (7) nominees receiving the most number of votes will be elected to the Board of Directors. Representatives from the Company's stock transfer agent and the Corporate Secretary are tasked to count votes manually.

Items 8, 9, 10, 11, 12, 13, 14 and 17 are not responded to in this report, the Company having no intention to take any action with respect to the information required therein.

(This space is intentionally left blank.)

SIGNATURE

After reasonable inquiry and to the best of our knowledge and belief, we certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Taguig on 07 August 2019.

PHILEQUITY DIVIDEND YIELD FUND, INC.

By:


ANN MARGARET K. LORENZO
Assistant Corporate Secretary

PHILEQUITY DIVIDEND YIELD FUND, INC.

PART I. BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

A. Incorporation

On August 2, 2012, Philequity Dividend Yield Fund Inc. (PDYF or the “Fund”) was organized under the rules of the Investment Company Act (Republic Act No. 2629) and the Corporation. PDYF is a diversified, open-end investment company. The Fund is engaged in the sale of its shares of stock and in the investment of the proceeds from the sale of its shares into the well selected portfolio of securities, both debt and equity. The Fund is designed to encourage both big and small investors seeking capital appreciation to avail of the professional management of their investments at the lowest possible cost, together with increased liquidity, growth opportunity, and satisfactory returns on their investments. The Fund is ready to redeem the shareholdings of any investor at the applicable net asset value per share.

B. Investment Policy/Risks

The investment objective of Philequity Dividend Yield Fund, Inc. is to achieve long-term capital appreciation and generate regular income by investing primarily in companies listed on the PSE that pay out dividends. It is categorized under SEC ICA Rule 35-1 as long term and income-oriented.

As the Fund will be investing primarily in PSE-listed companies, various factors, such as market conditions, general political and economic situations, and the performance of, and development of, the PSE listed companies may affect the prices of the stocks wherein the Fund is invested. Further, other risks such as market, credit, liquidity and operational risk should also be taken into consideration. Consequently, there may be instances when the redemption prices of redeemed shares may be less than the prices at which the shares were originally purchased.

C. Investment Limitations/Restrictions

The following are the limitations and fundamental policies of the Fund and the provisions of the Investment Company Act of the Philippines:

- (1) The Fund shall not participate in any underwriting or selling group in connection with public distribution of securities, except for its own capital stock.
- (2) The maximum investment in any single enterprise shall not exceed an amount equivalent to fifteen percent (15%) of the Fund's Net Asset Value, and in no case shall the total investment of the Fund exceed ten percent (10%) of the outstanding securities of any one investee company.
- (3) The Fund shall not incur any further debt or borrowings unless at the time of its occurrence or immediately thereafter there is an asset coverage of at least three hundred percent (300%) for all its borrowings. In the event that such asset coverage shall fall below 300%, the Fund shall within (3) days thereafter reduce the amount of its borrowings to an extent that the asset coverage of such borrowings shall be at least 300%.
- (4) Operational expenses shall not exceed ten percent (10%) of its average investment fund or net worth as shown in the previous audited financial statements.
- (5) The Fund shall not make any investment for the purpose of exercising control of management.

- (6) The Securities and Exchange commission, by order, unless it provides otherwise, the Fund may not engage in any of the following:
- (a) margin purchase of securities;
 - (b) commodity futures contracts;
 - (c) precious metals;
 - (d) unlimited liability investments;
 - (e) short selling of currencies;
 - (f) short selling of investments;
- (7) Other investment as the Securities & Exchange Commission shall, from time to time, prescribe.

D. Investment Guidelines and Strategy

A portion of the Fund's investment portfolio shall be invested in short to medium-term corporate debt papers registered with the Securities and Exchange Commission and had been approved by the Board of Directors of the Philequity Management, Inc.

E. Investment Manager and Principal Distributor

Philequity Management, Inc. (PEMI) is the Investment Adviser, Principal Distributor and Investment Manager of Philequity Dividend Yield Fund. PEMI provides and renders professional management and technical services to Philequity Dividend Yield Fund, Inc. (PDYF). PEMI is a corporation organized by a group of individuals who have track record in the stock brokerage business, having successfully managed their clients' resources. Philequity Dividend Yield Fund, Inc. does not employ any personnel. The Fund's administrative and accounting functions are undertaken by Philequity Management, Inc. (PEMI, fund manager). Pursuant to its Management and Distribution Agreement, the Fund shall pay the following for services rendered and facilities provided by PEMI:

1. Management fee computed at a maximum of one and a half percent per annum of the monthly average net asset value of the Fund's assets. The net asset value shall be determined in accordance with the procedures agreed upon by both parties.
2. Sales load charge of maximum three and a half percent for every sale of the Fund's shares of stocks.

However, PEMI reserves the right to reduce and/or waive the above charges on certain transactions.

F. Sub-distribution Agreement

In order to reach additional prospective investors, Philequity Management, Inc. (PEMI), the Funds' principal distributor has formed various partnerships with sub-distributors to promote the Funds. The sub-distributor will act as an agent to distribute, present and explain to their client the structure of the fund. If necessary, the sub-distributor will hire, train and maintain additional personnel for the performance of its obligations as contracted in the Memorandum of Agreement. Any expenses in terms of marketing and distribution if any will be shouldered by the sub-distributor. To compensate, the sub-distributor will receive a percentage of the management fee and/or the corresponding sales load fee charged of the total referred investments. The Funds shall be made available to the public primarily through accredited firms and authorized distributors and sales agents of BDO Private Bank Wealth Advisory and Trust Group, COL Financial Group, Inc., EastWest Banking Corporation – Trust Department, Rampver Financials and Insurance Agency, Inc., and RCBC Savings Bank Trust Services Division.

G. Capitalization and Ownership

The Fund's authorized capital is ten billion pesos (P10,000,000,000) divided into 10.0 billion shares with a par value of P1.00 per unit. Each unit of stock of the fund is a voting stock with voting rights equal to every other outstanding share of stock, and subject to right of redemption.

(1) Right of Redemption

The holder of any unit of stock of the fund, upon its presentation to the fund, or its duly authorized representatives, is entitled to receive by way of redemption approximately his proportionate share of the fund's net assets or cash equivalent thereof, i.e., the current net asset value, subject to the existing laws and the by-laws of the Fund; provided, however, that no such redemption may be made unless the remaining unimpaired capital of the Fund shall be 50% of its outstanding liabilities to the creditors of the fund. Provided further, the redemption may be suspended during any periods specified under the by-laws and under any applicable laws and regulation.

(2) Waiver of Pre-Emptive Rights

No stockholder shall, because of his ownership of stock, have a pre-emptive right or other right to purchase, subscribe for, or take any part of any stock or any other securities convertible into or carrying options or warrants to purchase stock of the fund. The fund company's Articles of Incorporation further provide that any part of such stock or other securities may at any time be issued, optioned for sale, and sold or disposed of by the fund pursuant to a resolution of its Board of Directors, to such persons and upon persons and upon such terms as such the Board may deem proper, without first offering such stock or securities or any part thereof to existing stockholders.

(3) Restriction on Transfer

No transfer of stock of the fund which would reduce the stock ownership or equity interest of Filipino citizens to less than the percentage required by applicable laws on regulations shall be caused or allowed to be recorded in the proper books of the fund.

H. Effects of Government Regulation

Government regulations have both positive and negative effects on the interest of mutual fund investors. The positive effect is the sense of security that the investors feel that investment companies are regulated by the Securities and Exchange Commission. Ultimately, it gives our capital market a sense of integrity which boosts investors' confidence in the Philippine equity market.

The negative effect of government regulation can be seen with the lowering of the threshold of covered transactions under the Anti-Money Laundering Act of 2001 (Republic Act No. 9160) from P4,000,000.00 to P500,000.00, making the investing public wary of attempting to invest an amount that would place their investment in such a position that would entail a report to the AMLA Council. Moreover, investors would consider the reportorial provision of the Anti-Money Laundering Act as an invasion of their secrecy of deposit, more so, if the source of such investment is legitimate. Hence, with the AMLA as a discouraging factor, PDYF expects limited capital investment by shareholders in the near future.

I. Size and Strength of the Fund's Competitors

The Philippine mutual fund industry continues to grow with 64 funds as of June 30, 2019 according to data tracked by the Philippine Investment Funds Association. The industry continues to benefit from the low interest rate environment with investors looking for higher yields apart from regular savings and time deposit accounts. It was however a challenging year for capital markets with net assets dropping 4% to P 255 billion from P 266 billion in net assets a year ago. Of the 64 mutual funds, 22 are classified as stock funds or funds that primarily invest in equities, 17 are classified as balanced funds, 20 are classified as bond funds and 5 are classified as money market funds.

Following is a summary of the assets held by mutual funds in the Philippines as of 30 June 2019:

Fund Category	Fund Name	ASSETS	LIABILITIES	NET ASSETS	EQUITY INV.	NO. OF A/C
Stock Funds						
<i>Primarily invested in Peso securities</i>						
1	ALFM Growth Fund, Inc.	7,201,767,718	111,515,085	7,090,252,633	6,128,576,890	8,862
2	ATRAM Alpha Opportunity Fund, Inc. (formerly, ATRKE Alpha Opportunity Fund, Inc.)	583,989,541	8,179,844	575,809,697	544,786,385	1,672
3	ATRAM Phil. Equity Opportunity Fund, Inc. (formerly, ATRKE Equity Opportunity Fund, Inc.)	1,670,654,230	49,928,254	1,620,725,976	1,537,886,919	2,060
4	Climbs Share Capital Equity Investment Fund Corp.	407,072,038	9,864,906	397,207,132	333,663,125	1,172
5	First Metro Consumer Fund on MSCI Phils. IMI, Inc.	414,352,298	1,146,621	413,205,676	406,913,185	965
6	First Metro Save and Learn Equity Fund, Inc.	4,461,183,176	68,597,242	4,392,585,934	4,184,101,203	16,906
7	First Metro Save and Learn Phil. Index Fund, Inc. (formerly, One Wealthy Nation Fund, Inc.)	69,747,046	387,122	69,359,924	68,716,854	351
8	MBG Equity Investment Fund, Inc.	167,084,122	1,909,566	165,174,556	157,000,690	44
9	PAMI Equity Index Fund, Inc.	10,831,897,774	46,940,294	10,784,957,481	10,663,085,336	14,359
10	Philam Strategic Growth Fund, Inc.	34,996,986,397	198,807,067	34,798,179,330	32,097,675,408	14,639
11	Philequity Dividend Yield Fund, Inc.	2,763,535,394	41,731,269	2,721,804,126	2,462,290,102	3,786
12	Philequity Fund, Inc.	12,000,992,491	152,260,445	11,848,732,046	10,854,780,139	36,070
13	Philequity MSCI Phils. Index Fund, Inc.	314,858,590	509,437	314,349,153	313,389,180	279
14	Philequity PSE Index Fund, Inc.	3,996,864,598	26,868,961	3,969,995,637	3,966,021,769	17,691
15	Philippine Stock Index Fund Corp.	13,028,360,347	129,640,779	12,898,719,568	12,854,441,680	15,873
16	Soldivo Strategic Growth Fund, Inc.	1,150,650,071	3,956,651	1,146,693,419	1,063,098,132	11,670
17	Sun Life Prosperity Philippine Equity Fund, Inc.	10,330,380,538	69,137,137	10,261,243,401	9,747,163,144	57,915
18	Sun Life Prosperity Phil. Stock Index Fund, Inc.	10,544,423,522	42,093,901	10,502,329,620	10,400,178,252	40,757
19	United Fund, Inc.	708,766,231	4,954,126	703,812,105	633,884,029	1,146
<i>Exchange Traded Fund</i>						
20	First Metro Phil. Equity Exchange Traded Fund, Inc.	1,651,289,345	1,484,504	1,649,804,841	1,629,438,391	1,231
Sub total - Peso Currency		117,294,855,466	969,913,211	116,324,942,256	110,047,090,813	247,448
<i>Primarily invested in foreign currency securities</i>						
21	ATRAM AsiaPlus Equity Fund, Inc. (formerly, ATR KimEng AsiaPlus Recovery Fund, Inc.)	52,204,088	512,836	51,691,253	0	51
22	Sun Life Prosperity World Voyager Fund, Inc.	587,630,530	2,701,406	584,929,123	0	1,134
Sub total - US Currency		639,834,618	3,214,242	636,620,376	0	1,185
Sub total - stock funds		117,934,690,084	973,127,452	116,961,562,632	110,047,090,813	248,633

Fund Category	Fund Name	ASSETS	LIABILITIES	NET ASSETS	EQUITY INV.	NO. OF A/C
Balanced Funds						
<i>Primarily invested in Peso securities</i>						
23	ATRAM Dynamic Allocation Fund, Inc. (formerly, Optima Balanced Fund, Inc.)	45,215,643	311,694	44,903,950	35,854,698	354
24	ATRAM Philippine Balanced Fund, Inc. (formerly, ATRKE Philippine Balanced Fund, Inc.)	914,943,301	29,038,755	885,904,546	514,043,194	2,199
25	First Metro Save and Learn Balanced Fund, Inc.	1,745,737,573	24,968,766	1,720,768,807	1,074,218,536	5,173
26	Grepalife Balanced Fund Corporation (formerly, Grepalife Bond Fund, Inc.)	177,066,063	387,254	176,678,809	0	79
27	NCM Mutual Fund of the Phils., Inc.	382,011,339	1,488,716	380,522,623	146,843,261	62
28	PAMI Horizon Fund, Inc.	803,668,163	16,413,967	787,254,196	417,355,010	11,446
29	Philam Fund, Inc.	11,228,057,404	58,614,676	11,169,442,728	5,856,986,337	10,456
30	Solidaritas Fund, Inc. (formerly, Bahay Pari Solidaritas Fund, Inc.)	165,082,463	995,833	164,086,631	101,096,314	207
31	Sun Life Prosperity Balanced Fund, Inc.	10,592,525,750	70,654,329	10,521,871,422	6,346,776,940	48,809
32	Sun Life Prosperity Achiever Fund 2028, Inc.	56,550,074	146,808	56,403,266	34,719,966	187
33	Sun Life Prosperity Achiever Fund 2038, Inc.	52,750,277	183,934	52,566,343	42,083,489	44
34	Sun Life Prosperity Achiever Fund 2048, Inc.	51,296,797	180,083	51,116,714	42,900,443	29
35	Sun Life Prosperity Dynamic Fund, Inc.	1,795,304,508	11,590,556	1,783,713,952	1,274,882,071	4,980
Sub total - Peso Currency		28,010,209,355	214,975,369	27,795,233,987	15,887,760,258	84,025
<i>Primarily invested in foreign currency securities</i>						
36	Cocolife Dollar Fund Builder, Inc.	66,101,354	335,700	65,765,654	0	58
37	PAMI Asia Balanced Fund, Inc.	513,527,385	13,235,479	500,291,906	232,914,526	354
38	Sun Life Prosperity Dollar Advantage Fund, Inc.	1,795,527,464	13,168,833	1,782,358,632	0	3,648
39	Sun Life Prosperity Dollar Wellspring Fund, Inc.	337,561,440	803,242	336,758,198	0	510
Sub total - US Currency		2,712,717,643	27,543,254	2,685,174,389	232,914,526	4,570
Sub total - balanced funds		30,722,926,999	242,518,623	30,480,408,376	16,120,674,784	88,595

Fund Category	Fund Name	ASSETS	LIABILITIES	NET ASSETS	EQUITY INV.	NO. OF A/C
Bond Funds						
<i>Primarily invested in Peso securities</i>						
40	ALFM Peso Bond Fund, Inc.	46,783,494,070	1,497,516,160	45,285,977,910	3,370,181,307	28,523
41	ATRAM Corporate Bond Fund, Inc. (formerly, Prudentiallife)	201,110,176	2,797,905	198,312,271	0	577
42	Cocolife Fixed Income Fund, Inc.	1,607,651,293	43,901,425	1,563,749,867	0	1,787
43	Ekklesia Mutual Fund, Inc.	246,093,209	359,490	245,733,719	4,500,000	108
44	First Metro Save and Learn Fixed Income Fund, Inc.	1,589,846,291	3,961,754	1,585,884,537	0	1,751
45	Grepalife Fixed Income Fund Corp.	400,361,730	824,782	399,536,948	0	720
46	Philam Bond Fund, Inc.	6,529,611,042	28,686,493	6,500,924,549	0	6,924
47	Philequity Peso Bond Fund, Inc.	217,296,565	294,479	217,002,086	17,368,826	1,884
48	Soldivo Bond Fund, Inc.	366,140,122	1,872,390	364,267,732	0	678
49	Sun Life Prosperity Bond Fund, Inc.	4,106,090,934	9,524,559	4,096,566,375	0	10,899
50	Sun Life Prosperity GS Fund, Inc.	231,359,793	438,750	230,921,044	0	1,856
Sub total - Peso Currency		62,279,055,224	1,590,178,187	60,688,877,038	3,392,050,133	55,707
<i>Primarily invested in foreign currency securities</i>						
51	ALFM Dollar Bond Fund, Inc.	12,171,087,756	150,999,243	12,020,088,513	0	8,726
52	ATRAM Total Return Dollar Bond Fund, Inc. (formerly, ATR)	593,616,911	43,964,118	549,652,793	0	75
53	First Metro Save and Learn Dollar Bond Fund, Inc.	262,731,418	626,836	262,104,582	0	59
54	Grepalife Dollar Bond Fund Corp.	540,002,732	977,864	539,024,868	0	261
55	PAMI Global Bond Fund Phils., Inc.	122,110,137	4,580,353	117,529,784	0	32
56	Philam Dollar Bond Fund, Inc.	2,810,033,985	19,394,890	2,790,639,095	0	2,421
57	Philequity Dollar Income Fund, Inc.	269,356,298	248,689	269,107,609	0	122
58	Sun Life Prosperity Dollar Abundance Fund, Inc.	546,582,227	3,419,349	543,162,878	0	2,251
Sub total - US Currency		17,315,521,464	224,211,342	17,091,310,121	0	13,947
59	ALFM Euro Bond Fund, Inc.	955,704,133	9,038,308	946,665,825	0	638
Sub total - Euro Currency		955,704,133	9,038,308	946,665,825	0	638
Sub total - bond funds		80,550,280,821	1,823,427,837	78,726,852,985	3,392,050,133	70,292
Money Market Funds						
<i>Primarily invested in Peso securities</i>						
60	ALFM Money Market Fund, Inc.	14,928,053,763	9,896,814	14,918,156,948	0	15,437
61	First Metro Save and Learn Money Market Fund, Inc.	300,437,508	703,557	299,733,951	0	98
62	Philam Managed Income Fund, Inc.	655,500,330	4,886,467	650,613,863	0	1,411
63	Sun Life Prosperity Money Market Fund, Inc.	12,776,072,356	159,458,556	12,616,613,801	0	32,243
<i>Primarily invested in foreign currency securities</i>						
64	Sun Life Prosperity Dollar Starter Fund, Inc.	886,017,691	1,051,372	884,966,319	0	569
Sub total - money market funds		29,546,081,648	175,996,765	29,370,084,882	0	49,758
GRAND TOTAL		258,753,979,552	3,215,070,677	255,538,908,875	129,559,815,730	457,278

ITEM 2. PROPERTIES

Operations are conducted within the premises of Philequity Management, Inc., the Fund Manager. All facilities are either owned or provided by the fund manager pursuant to the Management and Distribution Agreement (refer to Item 1 Section E). As a fund, Philequity Dividend Yield Fund, Inc. has no properties under its fixed assets accounts.

ITEM 3. LEGAL PROCEEDINGS

There are no legal proceedings that concern the fund at the time of reporting and for the past five (5) years.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE

There were no matters submitted to a vote of security holders during the fourth quarter of calendar year 2018.

PART II. OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR COMMON EQUITY and RELATED STOCKHOLDERS MATTERS

A. Fund Performance

Philequity Dividend Yield Fund, Inc. offers its investors above-average returns in its inception in February 2014. Below is the historical performance of the Fund in comparison with the performance of the Phisix:

Calendar Year Returns (%)

	2018	2017	2016	2015
PDYF	-10.70%	20.80%	-0.85%	-6.71%
PSEi	-12.76%	25.11%	-1.60%	-3.85%

Total return assumes re-investment of all dividends and capital gains distributions. Investment return and principal value may fluctuate such that, when redeemed, an investor's units may be worth more or less than their original cost. No dividends were declared from the date of incorporation to the date of this report. There is no restriction that limits the PDYF's ability to pay dividends on common equity.

Below is the comparative tabulation of the Fund's Net Asset Value per share in 2018.

Year	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	High	Low	High	Low	High	Low	High	Low
2019	1.3447	1.2578	1.3525	1.2628				
2018	1.4593	1.2578	1.3238	1.1804	1.3157	1.2042	1.2913	1.1719
2017	1.2389	1.1628	1.3253	1.2323	1.3756	1.2992	1.4079	1.3418
2016	1.2171	1.0597	1.2865	1.1764	1.3406	1.2712	1.296	1.126

The Fund's NAVPS are reported to the Investment Company Association of the Philippines and published daily in Business World and reflected in Technistock.

B. Holders

The number of common shareholders of record as of June 30, 2019 is 3,786. Common shares outstanding as of July 31, 2019 are 1,980,651,143. The SEC approved confidential treatment for the top 20 stockholders of the Fund. A separate disclosure was filed with the Commission for the Top 20 shareholders as of June 30, 2019.

C. Dividends

There were no cash dividends declared from date of incorporation to the date of this report.

D. Recent Sales of Unregistered or Exempt Securities

There is no sale of unregistered or exempt securities within the year.

ITEM 6. MANAGEMENT ANALYSIS AND DISCUSSION

In Millions (PHP)	2018	2017	2016
Balance Sheet			
Assets	P2,498.96	P2,981.54	P3,659.88
Liabilities	9.67	22.79	58.17
Stockholder's Equity	2,489.29	2,958.75	3,601.71
Book Value Per Share	1.2540	1.4043	1.1625
Income Statement			
Income	(253.22)	717.54	60.85
Expenses	59.51	79.50	100.62
Net Income	(313.73)	638.04	(39.77)
Earnings per Share (using weighted Average number of Outstanding Shares)	0.15	0.25	(0.01)

The Fund sets certain performance measures to gauge its operating performance periodically to assess its overall state of corporate health. Listed below are the major performance measures, which the Fund has identified as reliable performance indicators.

Key Performance Indicators	2018	2017	2016
Current Ratio ¹	25821.66%	13083.82%	6291.83%
Assets to Equity Ratio ²	100.39%	100.77%	101.62%
Liabilities to Equity Ratio ³	0.39%	0.77%	1.62%
Return on Ave. Assets Ratio ⁴	-11.44%	19.21%	-1.16%
Return on Ave. Equity Ratio ⁵	-11.51%	19.45%	-1.18%

The manner by which the Fund calculates the above performance indicators for is as follows:

Formula	
1	Current Assets / Current Liabilities
2	Total Assets / Total Equity
3	Total Liabilities / Total Equity
4	Net Income / Average Total Assets
5	Net Income / Average Total Equity

A. Business strategy and outlook

It was a challenging year for global equity markets. The PSEi reached an all-time high of 9058.62 on January 29 which sent the local barometer soaring to 5.84% on the back of the passage of the TRAIN law and fueled by Duterte's line item vetoes which added 8 billion pesos to expected revenues. Global markets also reached all-time high highs with the Dow, S&P and Nasdaq all breaking records on Trump's tax reform packages. The momentum was however stalled as inflation started to rise and fears of the economy overheating with the trade and current account deficits widened. The BSP initially kept interest rates steady after inflation reached the high-end of the target range. However, the central bank eventually had to change its tone as inflation and the peso reached multi-year highs. The country's ballooning twin deficits, while an anticipated product of the administration's Build, Build, Build program, was also catching the attention of credit rating agencies. Rising tensions of a trade war between the US and China have also dampened global growth prospects. Market players took cues from every Trump jab, and every tidbit from Chinese President Xi Jinping.

We expect another volatile 2019, dictated by the unresolved trade war between the US and China. We believe inflation has peaked in 2018 and look forward to a stable peso. Economic data such as GDP, remittances, the peso, trade balance and the twin deficits will be closely monitored moving forward as any sharp and unexpected moves will impact the performance of the fund. The country's credit rating will also be closely watched as the S&P, Moody's and Fitch have already cited risks to the country's credit score. Long term, the Fund maintains its bullish stance. However, the Fund will err on the side of caution and maintain a healthy cash position given the uncertainty.

B. Financial Condition

Y2018 compared to Y2017

INCOME AND EXPENSES

Comprehensive Income	Y2018	Y2017	Inc/(Dec)	Percent
Total Income	P(253,216,288)	P717,679,023	(P970,895,311)	-135%
Total Expenses	60,216,194	79,638,497	(19,422,304)	-24%
Net Income	(P313,432,482)	P638,040,526	(P950,470,007)	149%

Investment Income

Investment Income	Y2018	Y2017	Inc/(Dec)	Percent
Net gain on financial assets at fair value through profit or loss	(P292,222,978)	P663,016,920	(P955,239,898)	144.07%
Dividend Income	35,514,716	52,667,066	(17,152,350)	-32.57%
Interest Income	3,491,974	1,995,037	1,496,937	75.03%
Total	P(253,216,288)	P717,679,023	(P970,895,311)	-135.28%

The decrease in investment income by 135% as compared to 2017 is due to loss on sale marketable securities.

Expenses

Expenses	Y2018	Y2017	Inc/(Dec)	Percent
Management fee	P44,934,756	56,623,837	(P11,689,081)	-20.64%
Taxes and licenses	9,620,630	13,449,902	(3,829,272)	-28.47%
Transaction cost	108,015	98,543	9,472	9.61%
Commission expense	4,051,284	8,480,559	(4,429,275)	-52.23%
Professional fees	452,046	476,209	(24,163)	-5.07%
Income tax expense	698,395	399,007	299,388	75.03%
Others	351,068	110,440	240,628	217.88%
Total	P60,216,194	79,638,497	(P19,422,304)	-24%

Management fee decreased due to the decline in asset under management by PEMI while taxes and also drops mainly due to lower revenues in 2018 that is subjected to local taxes. The decreased in commission paid, transaction costs, professional fees, and other office and admin expense has a favourable impact on total expenses.

ASSETS AND LIABILITIES

Financial Position	Y2018	Y2017	Inc/(Dec)	Percent
Financial assets at fair value through profit or loss	2,186,488,042	2,789,005,434	(602,517,391)	-21.60%
Cash and cash equivalent	310,869,817	186,194,717	124,675,101	66.96%
Loans and receivables	1,613,007	6,332,722	(4,719,715)	-74.53%
Prepaid Expenses	-	10,500	(10,500)	-100.00%
Total Assets	2,498,970,866	2,981,543,373	(482,572,506)	-16.19%
Total Liabilities	9,679,563	P22,788,013	(13,108,452)	-57.52%
Total Equity	2,489,291,303	2,958,755,357	(469,464,055)	-15.87%

Assets

Cash and cash equivalents

This account consists of:

	2018	2017
Cash in banks	P2,769,817	P4,194,716
Short-term deposits	308,100,000	182,000,000

Total	₱310,869,817	₱186,194,716
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Financial assets at fair value through profit or loss (FVPL)

The Fund's financial assets at FVPL comprise of held-for-trading investments in shares of stock listed in the Philippine Stock Exchange (PSE).

Loans and receivable

	2018	2017
Due from brokers	-	₱4,652,915
Dividend receivable	960,395	1,672,223
Accrued interest receivable	652,612	7,584
Total	₱1,613,007	₱6,332,722

Due from broker pertains to receivables from proceeds of equity securities sold but not yet settled as of reporting date.

Liabilities

The Fund's total liability is composed of due to broker, accounts payable, accrued expenses and intercompany transactions with related parties. Net movement in total liabilities is mainly due to decrease in accounts payables related to unpaid redemption proceeds and subscriptions without confirmation from investors and decrease of dues to broker account.

As an open-end mutual fund company, the Fund stands ready at anytime to redeem the outstanding capital stock at Net Asset Value (NAV) per share as follows:

	Y2018	Y2017
Net asset value attributable to holders of redeemable shares	₱2,489,291,302	₱2,958,755,357
Number of shares outstanding	1,985,061,762	2,106,952,463
NAV per share	₱1.2540	₱1.4043

Below is comparative study of the net asset value per share of selected mutual funds for the years 2018 and 2017:

		2018		2017	
Fund Name		NAV	1 yr. Return (%)	NAV	1 yr. Return (%)
		Per Share		Per Share	
STOCK FUNDS					
<i>Primarily invested in Peso securities</i>					
1	ALFM Growth Fund, Inc *	252.07	-13.38%	293.23	22.15%
2	ATRAM Alpha Opportunity Fund, Inc.*	1.4262	-10.94%	1.5968	22%
3	ATRAM Philippine Equity Opportunity Fund, Inc.*	3.9056	-14.26%	4.5927	19.89%
4	Climbs Share Capital Equity Investment Fund Corp.*	0.8908	-11.97%	1.0161	n.a.
5	First Metro Consumer Fund on MSCI Phils. IMI, Inc. * *****	0.8227	n.a.	n.a.	n.a.

6	First Metro Save and Learn Equity Fund, Inc.*	5.2643	-11.68%	6.0121	23.23%
7	MBG Equity Investment Fund, Inc. * *****	117.97	n.a.	N.S.	N.S.
8	One Wealthy Nation Fund, Inc.*	0.8351	-15.24%	0.9919	12.41%
9	PAMI Equity Index Fund, Inc.*	49.3338	-11.63%	56.3924	24.1%
10	Philam Strategic Growth Fund, Inc.*	515.03	-11.62%	588.46	20.02%
11	Philequity Dividend Yield Fund, Inc.*	1.2564	-9.79%	1.4043	21.03%
12	Philequity Fund, Inc.*	36.6902	-10.01%	41.0954	23.38%
13	Philequity PSE Index Fund Inc.*	4.9704	-11.72%	5.6741	25.14%
14	Philippine Stock Index Fund Corp.*	830.36	-11.51%	945.8	24.62%
15	Soldivo Strategic Growth Fund, Inc. *	0.861	-10.15%	0.9671	19.17%
16	Sun Life Prosperity Philippine Equity Fund, Inc.*	4.0643	-10.59%	4.5802	22.32%
17	Sun Life Prosperity Philippine Stock Index Fund, Inc.*	0.9565	-11.84%	1.0933	24.72%
18	United Fund, Inc.*	3.5002	-8.63%	3.8942	25.95%
Exchange Traded Fund					
19	First Metro Phil. Equity Exchange Traded Fund, Inc.	110.9856	-11.19%	129.7344	26.34%
Primarily invested in foreign currency securities					
20	ATRAM AsiaPlus Equity Fund, Inc.	\$0.9256	-14.9%	\$1.1096	34.19%
21	Sun Life Prosperity World Voyager Fund, Inc.	\$1.0903	-13.48%	\$1.2652	21.89%
BALANCED FUNDS					
Primarily invested in Peso securities					
22	ATRAM Dynamic Allocation Fund, Inc.*	1.6537	-10.67%	1.8635	11.8%
23	ATRAM Philippine Balanced Fund, Inc.*	2.2096	-9.54%	2.457	11.39%
24	First Metro Save and Learn Balanced Fund Inc.*	2.5423	-7.66%	2.7691	14.98%
25	Grepalife Balanced Fund Corporation* ****	1.3061	-9.86%	n.a.	n.a.
26	NCM Mutual Fund of the Phils., Inc*	1.8446	-6.6%	1.4549	n.a.
27	PAMI Horizon Fund, Inc.*	3.5357	-8.95%	3.9181	11.81%
28	Philam Fund, Inc.*	15.9137	-8.62%	17.5577	11.5%
29	Solidaritas Fund, Inc.* *****	2.0715	-7.24%		
30	Sun Life of Canada Prosperity Balanced Fund, Inc.*	3.6542	-8.09%	3.9962	14.82%
31	Sun Life Prosperity Dynamic Fund, Inc.*	0.9212	-8.96%	1.0203	14.05%
Primarily invested in foreign currency securities					
32	Cocolife Dollar Fund Builder, Inc.	\$0.03519	-2.49%	\$0.03611	3.59%
33	PAMI Asia Balanced Fund, Inc.	\$0.9254	-11.78%	\$1.0561	21.2%

34	Sun Life Prosperity Dollar Advantage Fund, Inc.	\$3.296	-9.44%	\$3.6525	17.22%
35	Sun Life Prosperity Dollar Wellspring Fund, Inc.	\$1.0056	-9.3%	\$1.1122	10.38%
BOND FUNDS					
<i>Primarily invested in Peso securities</i>					
36	ALFM Peso Bond Fund, Inc.*	343.38	1.94%	337.07	2.3%
37	ATRAM Corporate Bond Fund, Inc.* *****	1.8568	-2.4%	1.8923	-0.9%
38	Cocolife Fixed Income Fund, Inc.*	2.9702	5.4%	2.8184	5.32%
39	Ekklesia Mutual Fund Inc.*	2.1303	1.35%	2.1037	1.63%
40	First Metro Save and Learn Fixed Income Fund, Inc.*	2.2089	-0.23%	2.215	0.49%
41	Grepalife Fixed Income Fund Corp.*	P 1.5639	-2.82%	P 1.6095	3.23%
42	Philam Bond Fund, Inc.*	3.9198	-2.96%	4.05	0.39%
43	Philequity Peso Bond Fund, Inc.*	3.5135	0.41%	3.5049	0.95%
44	Soldivo Bond Fund, Inc. *	0.8925	-3.02%	0.9232	0.18%
45	Sun Life of Canada Prosperity Bond Fund, Inc.*	2.7647	-0.49%	2.7767	4.06%
46	Sun Life Prosperity GS Fund, Inc.*	1.5389	-0.65%	1.5495	3.79%
<i>Primarily invested in foreign currency securities</i>					
47	ALFM Dollar Bond Fund, Inc. *	\$448.26	0.61%	\$445.85	3.21%
48	ALFM Euro Bond Fund, Inc. *	€212.61	-0.52%	€213.71	2.06%
49	ATRAM Total Return Dollar Bond Fund, Inc.**	\$1.1253	-0.82%	\$1.1342	3.49%
50	First Metro Save and Learn Dollar Bond Fund, Inc.*	\$0.0249	-0.4%	\$0.025	1.21%
51	Grepalife Dollar Bond Fund Corp.*	\$1.6904	-4.43%	\$1.7715	3.51%
52	MAA Privilege Dollar Fixed Income Fund, Inc.	N.S.	N.S.	N.S.	N.S.
53	MAA Privilege Euro Fixed Income Fund, Inc.	€N.S.	N.S.	€N.S.	N.S.
54	PAMI Global Bond Fund, Inc.*	\$1.0338	-3.21%	\$1.0748	2.99%
55	Philam Dollar Bond Fund, Inc.*	\$2.1709	-3.44%	\$2.2512	4.45%
56	Philequity Dollar Income Fund Inc.*	\$0.0569919	-0.75%	\$0.0572159	1.51%
57	Sun Life Prosperity Dollar Abundance Fund, Inc.*	\$2.8716	-4.53%	\$3.0128	3.95%
MONEY MARKET FUNDS					
<i>Primarily invested in Peso securities</i>					
58	ALFM Money Market Fund, Inc.	120.82	2.78%	117.6	1.73%
59	Philam Managed Income Fund, Inc.	1.1815	2.08%	1.1574	0.83%
60	Sun Life Prosperity Money Market Fund, Inc.	1.2186	2.66%	1.1871	2.24%
<i>Primarily invested in foreign currency securities</i>					

61	Sun Life Prosperity Dollar Starter Fund, Inc.* *	\$1.0156	1.67%	\$0.9986	n.a.
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Y2017 compared to Y2016

INCOME AND EXPENSES

Comprehensive Income	Y2017	Y2016	Inc/(Dec)	Percent
Total Income	P717,539,191	P60,846,102	P656,693,089	1079%
Total Expenses	79,498,666	100,619,074	(21,120,408)	-21%
Net Income	P638,040,525	(P39,772,972)	P677,813,497	1704%

Investment Income

Investment Income	Y2017	Y2016	Inc/(Dec)	Percent
Net gain on financial assets at fair value through profit or loss	P662,877,088	(P21,522,760)	P684,399,848	3180%
Dividend Income	52,667,066	78,561,189	(25,894,123)	-33%
Interest Income	1,995,037	3,807,673	(1,812,636)	-48%
Total	P717,539,191	P60,846,102	P271,164,744	1079%

The increase in investment income by 1,079% as compared to 2016 is greatly attributable to the improvement in market value of equity securities

Expenses

Expenses	Y2017	Y2016	Inc/(Dec)	Percent
Management fee	P56,623,837	P68,706,506	(P12,082,668)	-10.96%
Taxes and licenses	13,310,070	14,949,077	(1,639,007)	-17.59%
Transaction cost	3,091,804	7,553,348	(4,461,544)	-22.48%
Commission expense	5,487,298	7,078,282	(1,590,984)	-59.07%
Professional fees	476,209	1,052,718	(576,509)	-54.76%
Income tax expense	399,008	761,536	(362,528)	-47.60%
Others	110,440	517,607	(407,167)	-78.66%
Total	P79,498,666	P100,619,074	(P21,120,408)	-21%

Management fee decreased due to the decline in asset under management by PEMI while taxes and also drops mainly due to lower revenues in 2016 that is subjected to local taxes. The decreased in commission paid, transaction costs, professional fees, and other office and admin expense has a favourable impact on total expenses.

ASSETS AND LIABILITIES

Financial Position	Y2017	Y2016	Inc/(Dec)	Percent
Financial assets at fair value through profit or loss	P2,789,005,433	P2,973,783,539	(P184,778,106)	-6.21%
Cash and cash equivalent	186,194,716	660,684,218	(474,489,502)	-71.82%
Loans and receivables	6,332,722	25,408,962	(19,076,240)	-75.08%
Prepaid Expenses	10,500	500	10,000	2000.00%
Total Assets	P2,981,543,371	3,659,877,219	(P681,039,933)	-18.53%
Total Liabilities	P22,788,015	P58,168,737	(P38,086,808)	-60.82%

Total Equity	P2,958,755,357	P3,601,708,482	(P642,953,125)	-17.85%
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Assets

Cash and cash equivalents

This account consists of:

	2017	2016
Cash in banks	P4,194,716	P2,777,539
Short-term deposits	182,000,000	657,906,679
Total	P186,194,716	P660,684,218

Financial assets at fair value through profit or loss (FVPL)

The Fund's financial assets at FVPL comprise of held-for-trading investments in shares of stock listed in the Philippine Stock Exchange (PSE).

Loans and receivable

	2017	2016
Due from brokers	P4,652,915	P22,787,969
Dividend receivable	1,672,223	2,581,514
Accrued interest receivable	7,584	39,479
Total	P6,332,722	P25,408,962

Due from broker pertains to receivables from proceeds of equity securities sold but not yet settled as of reporting date.

Liabilities

The Fund's total liability is composed of due to broker, accounts payable, accrued expenses and intercompany transactions with related parties. Net movement in total liabilities is mainly due to decrease in accounts payables related to unpaid redemption proceeds and subscriptions without confirmation from investors and decrease of dues to broker account.

As an open-end mutual fund company, the Fund stands ready at anytime to redeem the outstanding capital stock at Net Asset Value (NAV) per share as follows:

	Y2017	Y2016
Net asset value attributable to holders of redeemable shares	P2,958,755,357	P3,601,708,482
Number of shares outstanding	2,106,952,463	3,098,137,454
NAV per share	P1.4043	P1.1625

Below is comparative study of the net asset value per share of selected mutual funds for the years 2017 and 2016:

Fund Name		2017 NAV Per Share	1 yr. Return (%)	2016 NAV Per Share	1 yr. Return (%)
STOCK FUNDS					
<i>Primarily invested in Peso securities</i>					
1	ALFM Growth Fund, Inc *	293.23	22.15%	240.14	-2.41%
2	ATRAM Alpha Opportunity Fund, Inc.*	1.5968	22%	1.3203	12.68%
3	ATRAM Philippine Equity Opportunity Fund, Inc.*	4.5927	19.89%	3.8509	5.41%
4	Climbs Share Capital Equity Investment Fund Corp.*	1.0161	n.a.	N.S.	N.S.
5	First Metro Save and Learn Equity Fund, Inc.*	6.0121	23.23%	4.9058	-7.05%
6	MBG Equity Investment Fund, Inc. * *****	N.S.	N.S.	-	-
7	One Wealthy Nation Fund, Inc.*	0.9919	12.41%	0.888	-9.09%
8	PAMI Equity Index Fund, Inc.*	56.3924	24.1%	45.3772	-2.85%
9	Philam Strategic Growth Fund, Inc.*	588.46	20.02%	490.24	-3.06%
10	Philequity Dividend Yield Fund, Inc.*	1.4043	21.03%	1.1625	-0.86%
11	Philequity Fund, Inc.*	41.0954	23.38%	33.3286	-1.33%
12	Philequity PSE Index Fund Inc.*	5.6741	25.14%	4.5379	-1.57%
13	Philippine Stock Index Fund Corp.*	945.8	24.62%	758.32	-2.19%
14	Soldivo Strategic Growth Fund, Inc. *	0.9671	19.17%	0.8108	-5.24%
15	Sun Life Prosperity Philippine Equity Fund, Inc.*	4.5802	22.32%	3.7454	-2.02%
16	Sun Life Prosperity Philippine Stock Index Fund, Inc.*	1.0933	24.72%	0.8755	-1.84%
17	United Fund, Inc.*	3.8942	25.95%	3.095	-1.1%
<i>Exchange Traded Fund</i>					
18	First Metro Phil. Equity Exchange Traded Fund, Inc.	129.7344	26.34%	102.6089	-9.67%
<i>Primarily invested in foreign currency securities</i>					
19	ATRAM AsiaPlus Equity Fund, Inc.	\$1.1096	34.19%	\$0.8366	-6.02%
20	Sun Life Prosperity World Voyager Fund, Inc.	\$1.2652	21.89%	\$1.0358	n.a.
BALANCED FUNDS					
<i>Primarily invested in Peso securities</i>					
21	ATRAM Dynamic Allocation Fund, Inc	1.8635	11.8%	1.6659	-4.13%
22	ATRAM Philippine Balanced Fund, Inc.	2.457	11.39%	2.2167	3.9%
23	Bahay Pari Solidaritas Fund, Inc.	2.2452	12.45%	1.9917	-0.31%
24	First Metro Save and Learn Balanced Fund Inc.	2.7691	14.98%	2.4192	-10.08%
25	NCM Mutual Fund of the Phils., Inc.	1.4549	n.a.	N.S.	N.S.
26	One Wealthy Nation Fund, Inc.	1.9876	11.68%	1.7718	-0.91%
27	PAMI Horizon Fund, Inc.****	3.9181	11.81%	3.511	-1.45%
28	Philam Fund, Inc.	17.5577	11.5%	15.7503	-1.47%
29	Sun Life of Canada Prosperity Balanced Fund, Inc.*	3.9962	14.82%	3.4914	-2.71%

30	Sun Life Prosperity Dynamic Fund, Inc.*	1.0203	14.05%	0.8962	-3.22%
Primarily invested in foreign currency securities					
31	Cocolife Dollar Fund Builder, Inc.	\$0.03611	3.59%	\$0.0349	-1.41%
32	PAMI Asia Balanced Fund, Inc.	\$1.0561	21.2%	\$0.8823	-1.97%
33	Sun Life Prosperity Dollar Advantage Fund, Inc.	\$3.6525	17.22%	\$3.1106	-0.05%
34	Sun Life Prosperity Dollar Wellspring Fund, Inc.	\$1.1122	10.38%	\$1.0082	n.a.
BOND FUNDS					
Primarily invested in Peso securities					
35	ALFM Peso Bond Fund, Inc.*	337.07	2.3%	329.84	2.17%
36	ATRAM Corporate Bond Fund, Inc.*	1.8923	-0.9%	1.9198	0.34%
37	Cocolife Fixed Income Fund, Inc.*	2.8184	5.32%	2.6833	6.14%
38	Ekklesia Mutual Fund Inc.*	2.1037	1.63%	2.0803	2.07%
39	First Metro Save and Learn Fixed Income Fund, Inc.*	2.215	0.49%	2.2058	-0.01%
40	Grepalife Fixed Income Fund Corp.*	P 1.6095	3.23%	P 1.5745	-1.62%
41	Philam Bond Fund, Inc.*	4.05	0.39%	4.046	1.52%
42	Philequity Peso Bond Fund, Inc.	3.5049	0.95%	3.472	-0.22%
43	Soldivo Bond Fund, Inc.	0.9232	0.18%	0.9217	0.53%
44	Sun Life of Canada Prosperity Bond Fund, Inc.	2.7767	4.06%	2.6879	-0.53%
45	Sun Life Prosperity GS Fund, Inc.	1.5495	3.79%	1.5066	-1.14%
Primarily invested in foreign currency securities					
46	ALFM Dollar Bond Fund, Inc. *	\$445.85	3.21%	\$432.3	3.29%
47	ALFM Euro Bond Fund, Inc. *	€213.71	2.06%	€209.58	1.67%
48	ATRAM Total Return Dollar Bond Fund, Inc.**	\$1.1342	3.49%	\$1.097	0.25%
49	First Metro Save and Learn Dollar Bond Fund, Inc.*	\$0.025	1.21%	\$0.0247	1.65%
50	Grepalife Dollar Bond Fund Corp.*	\$1.7715	3.51%	\$1.7121	0.08%
51	MAA Privilege Dollar Fixed Income Fund, Inc.	N.S.	N.S.	N.S.	N.S.
52	MAA Privilege Euro Fixed Income Fund, Inc.	€N.S.	N.S.	€N.S.	N.S.
53	PAMI Global Bond Fund, Inc.*	\$1.0748	2.99%	\$1.0488	-0.11%
54	Philam Dollar Bond Fund, Inc.*	\$2.2512	4.45%	\$2.1572	2.22%
55	Philequity Dollar Income Fund Inc.*	\$0.0572159	1.51%	\$0.0564	1.62%
56	Sun Life Prosperity Dollar Abundance Fund, Inc.*	\$3.0128	3.95%	\$2.8995	1.83%
MONEY MARKET FUNDS					
Primarily invested in Peso securities					
57	ALFM Money Market Fund, Inc.	117.6	1.73%	115.61	1.14%
58	Philam Managed Income Fund, Inc.	1.1574	0.83%	1.1476	-0.68%
59	Sun Life Prosperity Money Market Fund, Inc.	1.1871	2.24%	1.1611	1.9%
Primarily invested in foreign currency securities					
60	Sun Life Prosperity Dollar Starter Fund, Inc.* *****	\$0.9986	n.a.	N.S.	N.S.

Y2016 compared to Y2015

INCOME AND EXPENSES

Comprehensive Income	Y2016	Y2015	Inc/(Dec)	Percent
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Total Income	₱60,846,102	(₱210,318,642)	₱271,164,744	129%
Total Expenses*	100,619,073	98,426,207	2,192,866	2%
Net Income	(₱39,772,971)	(₱308,744,849)	₱268,971,878	87%

*includes provision for income tax

Investment Income

Investment Income	Y2016	Y2015	Inc/(Dec)	Percent
Net gain on financial assets at fair value through profit or loss	(₱21,522,760)	(₱280,048,736)	₱258,525,976	92.31%
Dividend Income	78,561,189	66,899,040	11,662,149	17.43%
Interest Income	3,807,673	2,827,667	980,006	34.66%
Other Income	-	3,387	(3,387)	-100%
Total	₱60,846,102	(₱210,318,642)	₱271,164,744	129%

Investment income increased by 129% primarily due to lower loss on sale of equity securities, interest earnings from short-term investments, and dividend income from equity securities.

Expenses

Expenses	Y2016	Y2015	Inc/(Dec)	Percent
Management fee	₱68,706,506	₱65,781,064	₱2,925,442	4.45%
Taxes and licenses	14,949,077	16,619,379	(1,670,302)	-10.05%
Transaction cost	7,553,348	8,973,172	(1,419,824)	-15.82%
Commission expense	7,078,282	6,088,540	989,742	16.26%
Professional fees	1,052,718	297,565	755,153	253.78%
Others	517,607	100,954	416,653	412.72%
Total	₱99,857,538	₱97,860,674	₱1,996,864	2%

Total expenses increased by 2% as a result of higher management fee charged due to increase in asset under management, commission from selling of equity securities and fees of legal counsel for services rendered related to increase in authorized capital stock in 2014 and general housekeeping.

ASSETS AND LIABILITIES

Financial Position	Y2016	Y2015	Inc/(Dec)	Percent
Financial assets at fair value through profit or loss	₱2,973,783,539	₱3,046,706,788	(₱72,923,249)	-2.39%
Cash and cash equivalent	660,684,218	798,295,410	(137,611,192)	-17.24%
Loans and receivables	25,408,962	9,259,604	18,855,443	203.63%
Prepaid Expenses	500	500	-	0%
Total Assets	₱3,959,877,219	₱3,854,262,302	(₱191,678,998)	-5%
Total Liabilities	₱58,168,737	₱11,713,943	₱49,160,879	419.68%
Total Equity	₱3,601,708,482	₱3,842,548,359	(₱240,839,877)	-6%

Assets

Cash and cash equivalents

This account consists of:

	2016	2015
Cash in banks	P2,777,539	P3,711,194
Short-term deposits	657,906,679	794,584,216
Total	P660,684,218	P798,295,410

Financial assets at fair value through profit or loss (FVPL)

The Fund's financial assets at FVPL comprise of held-for-trading investments in shares of stock listed in the Philippine Stock Exchange (PSE).

Loans and receivable

	2016	2015
Due from brokers	P22,787,969	P7,460,908
Dividend receivable	2,581,514	1,525,290
Accrued interest receivable	39,479	273,406
Total	P25,408,962	P9,259,604

Due from broker pertains to receivables from proceeds of equity securities sold but not yet settled as of reporting date.

Liabilities

The Fund's total liabilities are composed of due to broker, accounts payable, due to related parties, accrual of expenses and government remittances. Increase in total liabilities is mainly due to P49.16M increase in accounts payable which includes payable to shareholders for redemption proceeds and subscriptions without confirmation from investors.

As an open-end mutual fund company, the Fund stands ready at anytime to redeem the outstanding capital stock at Net Asset Value (NAV) per share as follows:

	Y2016	Y2015
Net asset value attributable to holders of redeemable shares	P3,601,708,482	P3,842,548,359
Number of shares outstanding	3,098,137,454	3,277,083,882
NAV per share	P1.1625	P1.1726

Below is comparative study of the net asset value per share of selected mutual funds for the years 2016 and 2015:

Fund Name		2016	1 yr.	2015	1 yr.
		NAV Per Share	Return (%)	NAV Per Share	Return (%)
STOCK FUNDS					
<i>Primarily invested in Peso securities</i>					
1	ALFM Growth Fund, Inc	240.14	-2.41%	246.09	-5.8%
2	ATRAM Alpha Opportunity Fund, Inc.	1.3203	12.68%	1.1717	-29.56%
3	ATRAM Philippine Equity Opportunity Fund, Inc.	3.8509	5.41%	3.6532	-17.09%
4	First Metro Save and Learn Equity Fund, Inc.	4.905	-7.07%	5.278	-5.28%
5	One Wealthy Nation Fund, Inc.	0.8874	-9.15%	n.a.	n.a.
6	PAMI Equity Index Fund, Inc.	45.3772	-2.85%	46.711	n.a.
7	Philam Strategic Growth Fund, Inc.	490.24	-3.06%	505.74	-6.44%
8	Philequity Dividend Yield Fund, Inc.	1.1625	-0.86%	1.1725	-6.71%
9	Philequity Fund, Inc.	33.3286	-1.33%	33.7769	-9.17%
10	Philequity PSE Index Fund Inc.	4.5301	-1.74%	4.6102	-4.26%
11	Philippine Stock Index Fund Corp.	758.32	-2.19%	775.38	-3.83%
12	Soldivo Strategic Growth Fund, Inc.	0.8108	-5.24%	0.8556	-8.91%
13	Sun Life Prosperity Phil. Equity Fund, Inc.	3.7454	-2.02%	3.8227	-6.49%
14	Sun Life Prosperity Philippine Stock Index Fund, Inc.	0.8756	-1.83%	0.892	n.a.
15	United Fund, Inc.	3.0941	-1.12%	3.1293	-3.77%
<i>Exchange Traded Fund</i>					
	First Metro Phil. Equity Exchange Traded Fund, Inc.	112.8644	-0.64%	113.5944	-2.8%
<i>Primarily invested in foreign currency securities</i>					
16	ATRAM AsiaPlus Equity Fund, Inc.	\$0.8366	-6.02%	\$0.8902	-9.78%
17	Sun Life Prosperity World Voyager Fund, Inc.	\$1.036	n.a.	n.a.	n.a.
BALANCED FUNDS					
<i>Primarily invested in Peso securities</i>					
18	ATRAM Dynamic Allocation Fund, Inc	1.6659	-4.13%	1.7376	-10.1%
19	ATRAM Philippine Balanced Fund, Inc.	2.2167	3.9%	2.1334	-9.19%
20	Bahay Pari Solidaritas Fund, Inc.	1.9944	-0.18%	2.0006	-1.64%
21	First Metro Save and Learn Balanced Fund Inc.	2.4116	-10.36%	2.6904	-3.91%
22	NCM Mutual Fund of the Phils., Inc.	1.7795	-0.48%	1.788	-4.12%
	One Wealthy Nation Fund, Inc.	n.a.	n.a.	1.0008	-3.68%
23	PAMI Horizon Fund, Inc. ****	3.511	-1.45%	3.5627	-4.59%
24	Philam Fund, Inc.	15.7503	-1.47%	15.9855	-4.74%
25	Sun Life of Canada Prosperity Balanced Fund, Inc.*	3.4914	-2.71%	3.5886	-4.57%
26	Sun Life Prosperity Dynamic Fund, Inc.*	0.8962	-3.22%	0.926	-7.38%
<i>Primarily invested in foreign currency securities</i>					
27	Cocolife Dollar Fund Builder, Inc.	\$0.03488	-1.47%	\$0.03539	2.28%
28	PAMI Asia Balanced Fund, Inc.	\$0.8776	-2.49%	\$0.8855	-11.45%

29	Sun Life Prosperity Dollar Advantage Fund, Inc.	\$3.1106	-0.05%	\$3.1124	-2.96%
30	Sun Life Prosperity Dollar Wellspring Fund, Inc.	\$1.0083	n.a.	n.a.	n.a.
BOND FUNDS					
<i>Primarily invested in Peso securities</i>					
31	ALFM Peso Bond Fund, Inc.	329.84	2.17%	318.84	1.59%
32	ATRAM Corporate Bond Fund, Inc.	1.9198	0.34%	1.9133	-3.04%
33	Cocolife Fixed Income Fund, Inc.	2.6807	6.04%	2.4199	4.77%
34	Ekklesia Mutual Fund Inc.	2.0819	2.14%	2.018	1.25%
35	First Metro Save and Learn Fixed Income Fund, Inc.	2.2002	-0.27%	2.1858	-0.79%
36	Grepalife Bond Fund Corporation	1.3192	-1.2%	1.3577	-1.04%
37	Grepalife Fixed Income Fund Corp.	P 1.5745	-1.62%	P 1.6216	-0.55%
38	Philam Bond Fund, Inc.	4.046	1.52%	4.0221	1.99%
39	Philequity Peso Bond Fund, Inc.	3.472	-0.22%	3.4858	1.92%
40	Soldivo Bond Fund, Inc.	0.9217	0.53%	0.9588	n.a.
41	Sun Life of Canada Prosperity Bond Fund, Inc.	2.6881	-0.53%	2.7013	1.15%
42	Sun Life Prosperity GS Fund, Inc.	1.5066	-1.14%	1.533	0.95%
<i>Primarily invested in foreign currency securities</i>					
43	ALFM Dollar Bond Fund, Inc.	\$432.3	3.29%	\$418.46	2.5%
44	ALFM Euro Bond Fund, Inc.	€209.58	1.29%	€206.12	0.04%
45	ATRAM Total Return Dollar Bond Fund, Inc.	\$1.097	0.25%	\$1.0943	2.97%
46	First Metro Save and Learn Dollar Bond Fund, Inc.	\$0.0247	1.65%	\$0.0243	0.41%
47	Grepalife Fixed Income Fund Corp.	\$1.7121	0.08%	\$1.7108	0.7%
48	MAA Privilege Dollar Fixed Income Fund, Inc.	N.S.	N.S.	N.S.	N.S.
49	MAA Privilege Euro Fixed Income Fund, Inc.	€N.S.	N.S.	€N.S.	N.S.
50	PAMI Global Bond Fund, Inc.	\$1.0488	-0.11%	\$1.0486	-7.2%
51	Philam Dollar Bond Fund, Inc.	\$2.1572	2.22%	\$2.1103	1.69%
52	Philequity Dollar Income Fund Inc.	\$0.0563751	1.58%	\$0.055458	1.57%
53	Sun Life Prosperity Dollar Abundance Fund, Inc.	\$2.8996	1.83%	\$2.8375	0.91%
MONEY MARKET FUNDS					
<i>Primarily invested in Peso securities</i>					
54	ALFM Money Market Fund, Inc.	115.61	1.14%	112.91	0.99%
55	Philam Managed Income Fund, Inc.	1.1476	-0.68%	1.1543	0.19%
56	Sun Life Prosperity Money Market Fund, Inc.	1.1611	1.9%	1.1252	-0.08%

C. Top Five (5) Indicators

Philequity Dividend Yield Fund, Inc. monitors the following indicators which affect its profitability:

- (1) Philippine Composite Index (Phisix) – Phisix is the benchmark used to track the local stock market on an aggregate basis. On average, equity funds including PDYF, move in tandem with the Phisix.

(2) Gross National Product (GNP) and Gross Domestic Product (GDP) – The GNP and GDP growth usually mirrors the economic cycle. A positive outlook on the economy is bullish for stocks and PDYF. A negative forecast on the other hand, is bearish for stocks and PDYF.

(3) Interest Rates – A low interest rate environment, which is indicative of liquidity in the market, is healthy for stocks. A high interest rate level results in the reverse.

(4) Price to Earnings Ratio (P/E Ratio) of the Market – The P/E Ratio and other valuation ratios are used to determine if companies are undervalued or not with respect to their earning power. A low P/E Ratio in a stock is usually a signal that the stock is worth buying for PDYF. Similarly, a low market P/E Ratio is a signal that it is worth increasing PDYF's equity allocation vis a vis its cash holdings.

(5) Foreign Buying and Selling Activity – Foreign trading activity is tracked daily by the Philippine Stock Exchange. Consistent net buying by foreign players is positive for the broader market and for PDYF.

Key Indicators		2018		2017
PHISIX	End-Dec	7,466.02	End-Dec	8,558.42
GNP growth	4Q	5.2%	4Q	6.49%
GDP growth	4Q	6.1%	4Q	6.60%
P/E Ratio	End-Dec	18.58	End-Dec	23.63
Foreign Buying and Selling	4Q	22.7B Net Foreign Buy	4Q	1.397B Net Foreign Sell

D. Other Matters

There are no events that will trigger direct or contingent financial obligations that are material to Philequity Dividend Yield Fund, Inc. Neither are there material off-balance sheet transactions, arrangements, obligations and other relationships of Philequity Dividend Yield Fund, Inc. with entities or persons created during the immediately preceding period. There are no significant elements of income or loss that did not arise from PDYF's continuing operations.

Financial Statements

Please refer to Annex "A" for the Company's audited financial statement as of the period ended 31 December 2018. Kindly see Annex "B" for the Company's second quarter operations results for 2019.

Compliance with Manual of Corporate Governance

To fully comply with the adopted leading practices on good corporate governance, the Company has prepared and executed the Company's Corporate Governance Manual which was approved and adopted by the Board of Directors on 7 August 2013. Further, the Company filed with the SEC its amended Manual of Corporate Governance which was made effective on 1 August 2014 in compliance with SEC Memorandum Circular No. 9, Series of 2014.

The Company has been monitoring compliance with SEC Memorandum Circular No. 6, Series of 2009, as amended, as well as other relevant SEC circulars and rules on good corporate governance. All directors, officers, and employees complied with all the leading practices and principles on good corporate governance as embodied in the Corporation's Manual.

The Company is unaware of any non-compliance with or deviation from its Manual of Corporate Governance during the previous year. The Company will continue to monitor compliance with the SEC Rules on Corporate Governance and shall remain committed in ensuring the adoption of other systems and practices of good corporate governance to enhance its value to its shareholders.

UPON WRITTEN REQUEST OF ANY SHAREHOLDER OF RECORD ENTITLED TO NOTICE OF AND VOTE AT THE MEETING, THE COMPANY SHALL FURNISH SUCH SHAREHOLDER WITH A COPY OF THE COMPANY'S INFORMATION STATEMENT AND ANNUAL REPORT ON SEC FORM 17-A WITHOUT CHARGE. ANY SUCH WRITTEN REQUEST SHALL BE ADDRESSED TO:

**A. BAYANI K. TAN
THE CORPORATE SECRETARY
PHILEQUITY FUND, INC.
2704 EAST TOWER,
PHILIPPINE STOCK EXCHANGE CENTRE,
EXCHANGE ROAD, ORTIGAS CENTER
PASIG CITY, METRO MANILA, PHILIPPINES**

COVER SHEET

SEC Registration Number

C S 2 0 1 2 1 4 3 1 8

Company Name

P H I L E Q U I T Y D I V I D E N D Y I E L D F U N D
, I N C . (A n O p e n - E n d I n v e s t m e n t
C o m p a n y)

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

1 5 T H F L R . P H I L L I P P I N E S T O C K
E X C H A N G E T O W E R 2 8 T H S T . C O R N E R
5 T H A V E . B O N I F A C I O G L O B A L C I T Y
T A G U I G C I T Y , M E T R O M A N I L A .

Form Type

1 7 - A

Department requiring the report

Secondary License Type, If Applicable

N A

COMPANY INFORMATION

Company's Email Address

Company's Telephone Number/s

250-8738

Mobile Number

No. of Stockholders

3,808

Annual Meeting
Month/Day

09/01

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Ms. Maribel Bere

Email Address

maribel.bere@vantage.ph

Telephone Number/s

250-8738

Mobile Number

0917-620-4040

Contact Person's Address

15th floor, Philippine Stock Exchange Tower, 28th St. Corner 5th Ave., Bonifacio Global City,
Taguig City, Metro Manila

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A



**ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE
PHILIPPINES**

1. For the calendar year ended **December 31, 2018**
2. SEC Identification No. **CS201214318**
3. BIR Tax Identification No. **008-342-256**
4. Exact name of registrant as specified in its charter: **PHILEQUITY DIVIDEND
YIELD FUND, INC.**
5. Province, Country or other jurisdiction of Incorporation or organization:
Philippines
6. (SEC Use Only)
Industry Classification Code
7. Address of Principal Office: **15th floor, Philippine Stock Exchange Tower, 28th St.
Corner 5th Ave., Bonifacio Global City, Taguig City, Metro Manila**
8. Issuer's telephone number, including area code: **(02) 250-8700**
9. Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Shares Outstanding
Common Stock, P1.00 par value	1,985,061,762
11. Are any or all of these securities listed on the Philippine Stock Exchange
Yes ☐ No ☒
12. Check whether the registrant:
 - a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 there under and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
Yes ☒ No ☐
 - b) has been subject to such filing requirements for the past 90 days
Yes ☒ No ☐
13. Aggregate market value of the voting stocks held by non-affiliates: **P2,334,592,530**

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PART I. BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

A. Incorporation

On August 2, 2012, Philequity Dividend Yield Fund Inc. (PDYF or the "Fund") was organized under the rules of the Investment Company Act 2629 and the Corporation. PDYF is a diversified, open-end investment company. The Fund is engaged in the sale of its shares of stock and in the investment of the proceeds from the sale of its shares into the well selected portfolio of securities, both debt and equity. The Fund is designed to encourage both big and small investors seeking capital appreciation to avail of the professional management of their investments at the lowest possible cost, together with increased liquidity, growth opportunity and satisfactory returns on their investments. The Fund is ready to redeem the shareholdings of any investor at the applicable net asset value per share.

B. Investment Policy/Risks

The investment objective of Philequity Dividend Yield Fund, Inc. is to achieve long-term capital appreciation and generate regular income by investing primarily in companies listed on the PSE that pay out dividends. It is categorized under SEC ICA Rule 35-1 as long term and income-oriented.

As the Fund will be investing primarily in PSE-listed companies, various factors, such as market conditions, general political and economic situations, and the performance of, and development of, the PSE listed companies may affect the prices of the stocks wherein the Fund is invested. Further, other risks such as market, credit, liquidity and operational risk should also be taken into consideration. Consequently, there may be instances when the redemption prices of redeemed shares may be less than the prices at which the shares were originally purchased.

C. Investment Limitations/Restrictions

The following are the limitations and fundamental policies of the Fund and the provisions of the Investment Company Act of the Philippines:

- (1) The Fund shall not participate in any underwriting or selling group in connection with public distribution of securities, except for its own capital stock.
- (2) The maximum investment in any single enterprise shall not exceed an amount equivalent to fifteen percent (15%) of the Fund's Net Asset Value, and in no case shall the total investment of the Fund exceed ten percent (10%) of the outstanding securities of any one investee company.
- (3) The Fund shall not incur any further debt or borrowings unless at the time of its occurrence or immediately thereafter there is an asset coverage of at least three hundred percent (300%) for all its borrowings. In the event that such asset coverage shall fall below 300%, the Fund shall within (3) days thereafter reduce the amount of its borrowings to an extent that the asset coverage of such borrowings shall be at least 300%.
- (4) Operational expenses shall not exceed ten percent (10%) of its average investment fund or net worth as shown in the previous audited financial statements.

- (5) The Fund shall not make any investment for the purpose of exercising control of management.
- (6) The Securities and Exchange commission, by order, unless it provides otherwise, the Fund may not engage in any of the following:
 - (a) margin purchase of securities;
 - (b) commodity futures contracts;
 - (c) precious metals;
 - (d) unlimited liability investments;
 - (e) short selling of currencies;
 - (f) short selling of investments;
- (7) Other investment as the Securities & Exchange Commission shall, from time to time, prescribe.

D. Investment Guidelines and Strategy

A portion of the Fund's investment portfolio shall be invested in short to medium-term corporate debt papers registered with the Securities and Exchange Commission and had been approved by the Board of Directors of the Philequity Management, Inc.

E. Investment Manager and Principal Distributor

Philequity Management, Inc. (PEMI) is the Investment Adviser, Principal Distributor and Investment Manager of Philequity Dividend Yield Fund. PEMI provides and renders professional management and technical services to Philequity Dividend Yield Fund, Inc. (PDYF). PEMI is a corporation organized by a group of individuals who have track record in the stock brokerage business, having successfully managed their clients' resources. Philequity Dividend Yield Fund, Inc. does not employ any personnel. The Fund's administrative and accounting functions are undertaken by Philequity Management, Inc. (PEMI, fund manager). Pursuant to its Management and Distribution Agreement, the Fund shall pay the following for services rendered and facilities provided by PEMI:

1. Management fee computed at a maximum of one and a half percent per annum of the monthly average net asset value of the Fund's assets. The net asset value shall be determined in accordance with the procedures agreed upon by both parties.
2. Sales load charge of maximum three and a half percent for every sale of the Fund's shares of stocks.

However, PEMI reserves the right to reduce and/or waive the above charges on certain transactions.

F. Sub-distribution Agreement

In order to reach additional prospective investors, Philequity Management, Inc. (PEMI), the Funds' principal distributor has formed various partnerships with sub-distributors to promote the Funds. The sub-distributor will act as an agent to distribute, present and explain to their client the structure of the fund. If necessary, the sub-distributor will hire, train and maintain additional personnel for the performance of its obligations as contracted in the Memorandum of Agreement. Any expenses in terms of marketing and distribution if any will be shouldered by the sub-distributor. To compensate, the sub-distributor will receive a percentage of the management fee and/or the corresponding sales load fee charged of the total referred investments. The Funds shall be made available to the public primarily through accredited firms and authorized distributors and sales agents of BDO Private Bank Wealth Advisory and Trust Group, COL Financial Group, Inc., EastWest Banking Corporation – Trust Department,

Rampver Financials and Insurance Agency, Inc., and RCBC Savings Bank Trust Services Division.

G. Capitalization and Ownership

The Fund's authorized capital is ten billion pesos (P10,000,000,000) divided into 10.0 billion shares with a par value of P1.00 per unit. Each unit of stock of the fund is a voting stock with voting rights equal to every other outstanding share of stock, and subject to right of redemption.

(1) **Right of Redemption**

The holder of any unit of stock of the fund, upon its presentation to the fund, or its duly authorized representatives, is entitled to receive by way of redemption approximately his proportionate share of the fund's net assets or cash equivalent thereof, i.e., the current net asset value, subject to the existing laws and the by-laws of the Fund; provided, however, that no such redemption may be made unless the remaining unimpaired capital of the Fund shall be 50% of its outstanding liabilities to the creditors of the fund. Provided further, the redemption may be suspended during any periods specified under the by-laws and under any applicable laws and regulation.

(2) **Waiver of Pre-Emptive Rights**

No stockholder shall, because of his ownership of stock, have a pre-emptive right or other right to purchase, subscribe for, or take any part of any stock or any other securities convertible into or carrying options or warrants to purchase stock of the fund. The fund company's Articles of Incorporation further provide that any part of such stock or other securities may at any time be issued, optioned for sale, and sold or disposed of by the fund pursuant to a resolution of its Board of Directors, to such persons and upon persons and upon such terms as such the Board may deem proper, without first offering such stock or securities or any part thereof to existing stockholders.

(3) **Restriction on Transfer**

No transfer of stock of the fund which would reduce the stock ownership or equity interest of Filipino citizens to less than the percentage required by applicable laws on regulations shall be caused or allowed to be recorded in the proper books of the fund.

H. Effects of Government Regulation

Government regulations have both positive and negative effects on the interest of mutual fund investors. The positive effect is the sense of security that the investors feel that investment companies are regulated by the Securities and Exchange Commission. Ultimately, it gives our capital market a sense of integrity which boosts investors' confidence in the Philippine equity market.

The negative effect of government regulation can be seen with the lowering of the threshold of covered transactions under the Anti-Money Laundering Act of 2001 (Republic Act No. 9160) from P4,000,000.00 to P500,000.00, making the investing public wary of attempting to invest an amount that would place their investment in such a position that would entail a report to the AMLA Council. Moreover, investors would consider the reportorial provision of the Anti-Money Laundering Act as an invasion of their secrecy of deposit, more so, if the source of such investment is legitimate. Hence, with the AMLA as a discouraging factor, PDYF expects limited capital investment by shareholders in the near future.

1. Size and Strength of the Fund's Competitors

The Philippine mutual fund industry continues to grow with 61 funds as of December 2018 according to data tracked by the Philippine Investment Funds Association. The industry continues to benefit from the low interest rate environment with investors looking for higher yields apart from regular savings and time deposit accounts. It was however a challenging year for capital markets with net assets dropping 13% to P 255 billion from P 294 billion in net assets a year ago.

Investors often use a funds' performance as a gauge for comparison when choosing a mutual fund. In terms of performance, investors look at funds that have the highest return in their respective category as the basis for choosing a fund-- the higher the return, the more attractive the fund. Investors also look to a funds' outperformance over the respective benchmark as a second form of comparison. The greater the outperformance over the benchmark, the more attractive the fund. It is important to note that not all benchmarks in a fund category are aligned. For instance, a stock fund uses 100% the Philippine Stock Exchange Index (PSEi) as its benchmark while another stock fund might use a 90-10 approach where 90% is composed of the PSEi and 10% is composed of a 91-day T-bill. As a result, investors tend to use consistency as the basis, where a fund (1) consistently outperforms its peers and (2) consistently out performs its respective benchmark.

Following is a summary of the assets held by mutual funds in the Philippines as of 31 December 2018.

Fund Category	Fund Name	ASSETS	LIABILITIES	NET ASSETS	EQUITY INV.	NO. OF A/C
Stock Funds						
<i>Primarily invested in Peso securities</i>						
1	ALFM Growth Fund, Inc.	7,111,067,194.12	20,240,353.56	7,091,826,840.56	6,418,290,450.00	9,231
2	ATRAM Alpha Opportunity Fund, Inc. (formerly, ATRK)	467,247,351.95	6,696,645.89	460,550,706.06	433,155,111.93	928
3	ATRAM Phil. Equity Opportunity Fund, Inc. (formerly, A	1,780,844,432.39	32,477,747.31	1,748,366,685.08	1,649,465,883.35	1,685
4	Clebs Share Capital Equity Investment Fund Corp.	360,255,221.21	3,570,052.86	356,685,168.23	302,031,640.15	825
5	First Metro Consumer Fund on MSCI Phils. M. Inc.	385,513,400.45	1,156,060.53	384,357,339.92	372,000,477.03	812
6	First Metro Save and Learn Equity Fund, Inc.	4,505,057,097.68	81,576,546.12	4,423,480,551.56	3,968,276,830.00	17,405
7	MBG Equity Investment Fund, Inc.	159,687,863.00	1,792,924.00	157,894,939.00	148,146,289.00	35
8	One Wealthy Nation Fund, Inc.	90,606,225.26	22,421,519.09	68,184,706.17	62,766,640.45	387
9	PAMI Equity Index Fund, Inc.	9,073,545,006.79	11,816,890.30	9,061,728,116.49	8,768,172,358.10	13,646
10	Philam Strategic Growth Fund, Inc.	31,816,291,183.82	157,698,215.68	31,658,592,968.14	28,645,215,188.40	15,149
11	Philicity Dividend Yield Fund, Inc.	2,497,608,280.24	8,293,678.99	2,489,314,601.25	2,186,488,042.03	3,808
12	Philicity Fund, Inc.	11,281,192,341.50	63,636,841.54	11,217,555,499.95	9,902,085,950.67	35,270
13	Philicity PSE Index Fund, Inc.	3,749,010,119.30	6,727,965.91	3,742,282,153.39	3,736,077,305.34	16,139
14	Philippine Stock Index Fund Corp.	12,574,922,272.27	20,479,590.59	12,554,442,681.68	12,536,454,573.46	16,098
15	Solido Strategic Growth Fund, Inc.	961,314,529.45	5,305,004.24	956,009,525.21	855,981,507.02	11,164
16	Sun Life Prosperity Philippine Equity Fund, Inc.	10,486,436,850.17	61,190,763.11	10,425,246,087.06	9,911,837,813.10	55,954
17	Sun Life Prosperity Phil. Stock Index Fund, Inc.	9,570,727,833.65	53,774,852.57	9,516,953,181.08	9,428,820,711.05	36,303
18	United Fund, Inc.	687,733,193.87	1,687,026.28	686,046,167.59	596,959,796.78	1,125
Exchange Traded Fund						
19	First Metro Phil. Equity Exchange Traded Fund, Inc.	1,535,302,138.67	1,302,907.70	1,533,999,230.97	1,518,497,745.96	1,152
Sub total - Peso Currency						
		109,094,362,535.79	570,845,596.40	108,523,516,949.39	101,430,724,323.82	237,116
<i>Primarily invested in foreign currency securities</i>						
20	ATRAM AsiaPlus Equity Fund, Inc. (formerly, ATR Kim	44,548,039.57	492,955.90	44,055,083.67	0.00	51
21	Sun Life Prosperity World Voyager Fund, Inc.	513,236,168.32	1,844,007.42	511,392,160.90	0.00	1,025
Sub total - US Currency						
		557,784,207.89	2,336,963.32	555,447,244.57	0.00	1,076
Sub total - stock funds						
		109,652,146,743.67	573,182,549.71	109,078,964,193.96	101,430,724,323.82	238,192
Balanced Funds						
<i>Primarily invested in Peso securities</i>						
22	ATRAM Dynamic Allocation Fund, Inc. (formerly, Optim	45,784,504.23	3,127,748.41	42,656,755.82	21,649,215.92	279
23	ATRAM Philippine Balanced Fund, Inc. (formerly, ATR)	1,248,722,945.34	88,693,319.43	1,160,029,625.91	615,305,190.58	2,108
24	First Metro Save and Learn Balanced Fund, Inc.	1,772,170,096.31	32,883,129.69	1,739,286,966.62	1,116,740,000.08	5,413
25	Grepallie Balanced Fund Corporation (formerly, Grepe	151,812,779.00	424,574.00	151,388,205.00	0.00	103
26	NOM Mutual Fund of the Phils., Inc.	457,551,984.69	1,844,207.84	455,707,776.85	190,951,499.30	67
27	PAMI Horizon Fund, Inc.	859,128,551.13	15,654,246.10	843,474,305.03	431,498,890.66	11,737
28	Philam Fund, Inc.	10,560,828,686.55	49,889,100.53	10,510,939,586.02	5,351,000,872.98	10,553
29	Soliditas Fund, Inc. (formerly, Bahay Pari Solidaritas	163,577,228.64	278,301.03	163,298,927.61	104,739,015.50	213
30	Sun Life Prosperity Balanced Fund, Inc.	11,501,598,077.09	289,944,780.48	11,211,653,296.62	7,000,030,125.55	47,793
31	Sun Life Prosperity Dynamic Fund, Inc.	1,777,683,161.10	13,308,813.40	1,764,374,347.70	1,446,691,963.95	4,978
Sub total - Peso Currency						
		28,538,658,014.06	496,046,220.90	28,042,609,793.18	16,278,906,774.52	83,244

<Continued>

Continued

Fund Category	Fund Name	ASSETS	LIABILITIES	NET ASSETS	EQUITY INV.	NO. OF A/C
<i>Primarily invested in foreign currency securities</i>						
32	Cocolife Dollar Fund Builder, Inc.	100,257,683.72	551,714.58	99,705,969.14	0.00	66
33	PAMI Asia Balanced Fund, Inc.	505,155,938.39	12,221,402.33	492,934,536.07	249,430,478.34	357
34	Sun Life Prosperity Dollar Advantage Fund, Inc.	1,711,986,487.96	3,293,465.55	1,708,693,022.41	0.00	3,596
35	Sun Life Prosperity Dollar Wellspring Fund, Inc.	316,798,185.33	789,964.55	316,008,220.78	0.00	482
<i>Sub total - US Currency</i>						
		2,634,198,296.41	16,856,547.01	2,617,341,748.40	249,430,478.34	4,501
<i>Sub total - balanced funds</i>						
		31,173,056,309.49	512,904,767.91	30,660,151,541.58	16,526,237,252.86	87,745
Bond Funds						
<i>Primarily invested in Peso securities</i>						
36	ALFM Peso Bond Fund, Inc.	54,007,520,592.33	186,652,290.07	53,820,868,302.26	3,323,218,100.00	29,575
37	ATRAM Corporate Bond Fund, Inc. (formerly, Prudenti	179,297,457.60	707,949.24	178,589,508.36	0.00	438
38	Cocolife Fixed Income Fund, Inc.	1,864,607,389.27	28,182,755.48	1,836,424,633.79	0.00	1,615
39	Eklesia Mutual Fund, Inc.	253,892,850.96	383,375.54	253,479,475.42	4,500,000.00	114
40	First Metro Save and Learn Fixed Income Fund, Inc.	1,616,674,045.37	5,881,769.80	1,610,792,275.57	0.00	1,822
41	Grepalife Fixed Income Fund Corp.	352,005,553.00	4,145,646.00	347,859,907.00	0.00	873
42	Philam Bond Fund, Inc.	6,429,693,065.71	23,585,669.02	6,406,107,396.69	0.00	7,007
43	Philequity Peso Bond Fund, Inc.	208,494,165.21	950,276.72	207,543,888.49	16,724,312.00	1,538
44	Soldivo Bond Fund, Inc.	320,663,063.03	845,756.48	319,817,306.55	0.00	651
45	Sun Life Prosperity Bond Fund, Inc.	3,802,253,222.50	59,877,974.32	3,742,375,248.18	0.00	10,477
46	Sun Life Prosperity GS Fund, Inc.	223,671,563.55	5,852,203.64	217,819,359.91	0.00	1,800
<i>Sub total - Peso Currency</i>						
		69,258,743,978.53	317,065,666.31	68,941,678,312.22	3,344,442,412.00	55,710
<i>Primarily invested in foreign currency securities</i>						
47	ALFM Dollar Bond Fund, Inc.	12,575,693,356.23	57,466,966.08	12,518,226,390.16	0.00	8,773
48	ATRAM Total Return Dollar Bond Fund, Inc. (formerly,	478,348,909.03	1,853,578.03	476,495,031.00	0.00	57
49	First Metro Save and Learn Dollar Bond Fund, Inc.	261,002,821.24	717,233.57	260,285,587.67	0.00	57
50	Grepalife Dollar Bond Fund Corp.	491,792,044.70	882,029.50	490,910,015.20	0.00	293
51	MAA Privilege Dollar Fixed Income Fund, Inc.	5,071,478.23	352,306.51	4,719,171.73	0.00	0.00
52	PAMI Global Bond Fund Phils., Inc.	119,893,901.68	4,339,151.36	115,544,750.33	0.00	33
53	Philam Dollar Bond Fund, Inc. *	2,768,005,891.65	21,806,671.53	2,746,399,220.11	0.00	2,508
54	Philequity Dollar Income Fund, Inc.	266,448,068.84	920,692.00	265,527,376.85	0.00	118
55	Sun Life Prosperity Dollar Abundance Fund, Inc.	530,982,068.70	598,546.25	529,383,522.44	0.00	2,220
<i>Sub total - US Currency</i>						
		17,497,228,240.30	89,137,174.82	17,408,091,065.48	0.00	14,059
56	ALFM Euro Bond Fund, Inc.	698,567,747.82	4,127,701.26	694,440,046.56	0.00	625
57	MAA Privilege Euro Fixed Income Fund, Inc.	10,025,812.19	137,332.52	9,888,479.67	0.00	162
<i>Sub total - Euro Currency</i>						
		708,593,560.01	4,265,033.77	704,328,526.23	0.00	787
<i>Sub total - bond funds</i>						
		87,464,565,778.84	410,467,874.90	87,054,097,903.93	3,344,442,412.00	70,556
Money Market Funds						
<i>Primarily invested in Peso securities</i>						
58	ALFM Money Market Fund, Inc.	12,969,278,546.85	5,588,487.44	12,963,690,059.41	0.00	11,880
59	Philam Managed Income Fund, Inc.	660,845,896.57	4,089,149.11	656,756,747.46	0.00	1,071
60	Sun Life Prosperity Money Market Fund, Inc.	15,244,864,547.93	57,922,861.45	15,186,941,686.48	0.00	28,804
<i>Primarily invested in foreign currency securities</i>						
61	Sun Life Prosperity Dollar Starter Fund, Inc.	614,599,156.20	764,117.80	613,835,038.40	0.00	304
<i>Sub total - money market funds</i>						
		29,489,588,147.54	68,364,615.80	29,421,223,531.74	0.00	42,059
GRAND TOTAL						
		267,779,366,979.64	1,664,919,808.33	266,214,437,171.21	121,303,403,988.68	438,552

ITEM 2. PROPERTIES

Operations are conducted within the premises of Philequity Management, Inc., the fund manager. All facilities are either owned or provided by the fund manager pursuant to the Management and Distribution Agreement (refer to Item 1 Section E). As a fund, Philequity Dividend Yield Fund, Inc. has no properties under its fixed assets accounts.

ITEM 3. LEGAL PROCEEDINGS

There are no legal proceedings that concern the fund at the time of reporting and for the past five (5) years.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE

There were no matters submitted to a vote of security holders during the calendar year 2018 covered by this report.

PART II. OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR COMMON EQUITY and RELATED STOCKHOLDERS MATTERS

A. Fund Performance

Philequity Dividend Yield Fund, Inc. offers its investors above-average returns in its inception in February 2014. Below is the historical performance of the Fund in comparison with the performance of the Phisix:

Calendar Year Returns (%)

	2018	2017	2016	2015
PDYF	-10.70%	20.80%	-0.85%	-6.71%
PSEi	-12.76%	25.11%	-1.60%	-3.85%

Total return assumes re-investment of all dividends and capital gains distributions. Investment return and principal value may fluctuate such that, when redeemed, an investor's units may be worth more or less than their original cost. No dividends were declared from the date of incorporation to the date of this report. There is no restriction that limits the PDYF's ability to pay dividends on common equity.

Below is the comparative tabulation of the Fund's Net Asset Value per share in 2018.

Year	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	High	Low	High	Low	High	Low	High	Low
2018	1.4593	1.2578	1.3238	1.1804	1.3157	1.2042	1.2913	1.1719
2017	1.2389	1.1628	1.3253	1.2323	1.3756	1.2992	1.4079	1.3418
2016	1.2171	1.0597	1.2865	1.1764	1.3406	1.2712	1.296	1.126

The Fund's NAVPS are reported to the Investment Company Association of the Philippines and published daily in Business World and reflected in Technistock.

B. Holders

The number of common shareholders of record as of December 31, 2018 is 3,808. Common shares outstanding as of December 31, 2018 are 1,985,061,762. The SEC approved confidential treatment for the top 20 stockholders of the Fund. A separate disclosure was filed with the Commission for the Top 20 shareholders as of December 31, 2018.

C. Dividends

There were no cash dividends declared from date of incorporation to the date of this report.

D. Recent Sales of Unregistered or Exempt Securities

There is no sale of unregistered or exempt securities within the year.

ITEM 6. MANAGEMENT ANALYSIS AND DISCUSSION

In Millions (PHP)	2018	2017	2016
Balance Sheet			
Assets	P2,498.96	P2,981.54	P3,659.88
Liabilities	9.67	22.79	58.17
Stockholder's Equity	2,489.29	2,958.75	3,601.71
Book Value Per Share	1.2540	1.4043	1.1625
Income Statement			
Income	(253.22)	717.54	60.85
Expenses	59.51	79.50	100.62
Net Income	(313.73)	638.04	(39.77)
Earnings per Share (using weighted Average number of Outstanding Shares)	0.15	0.25	(0.01)

The Fund sets certain performance measures to gauge its operating performance periodically to assess its overall state of corporate health. Listed below are the major performance measures, which the Fund has identified as reliable performance indicators.

Key Performance Indicators	2018	2017	2016
Current Ratio ¹	25821.66%	13083.82%	6291.83%
Assets to Equity Ratio ²	100.39%	100.77%	101.62%
Liabilities to Equity Ratio ³	0.39%	0.77%	1.62%
Return on Ave. Assets Ratio ⁴	-11.44%	19.21%	-1.16%
Return on Ave. Equity Ratio ⁵	-11.51%	19.45%	-1.18%

The manner by which the Fund calculates the above performance indicators for is as follows:

	Formula
1	Current Assets / Current Liabilities
2	Total Assets / Total Equity
3	Total Liabilities / Total Equity
4	Net Income / Average Total Assets
5	Net Income / Average Total Equity

A. Business strategy and outlook

It was a challenging year for global equity markets. The PSEi reached an all-time high of 9058.62 on January 29 which sent the local barometer soaring to 5.84% on the back of the passage of the TRAIN law and fueled by Duterte's line item vetoes which added 8 billion pesos to expected revenues. Global markets also reached all-time high highs with the Dow, S&P and Nasdaq all breaking records on Trump's tax reform packages. The momentum was however stalled as inflation started to rise and fears of the economy overheating with the trade and current account deficits widened. The BSP initially kept interest rates steady after inflation reached the high-end of the target range. However, the central bank eventually had to change its tone as inflation and the peso reached multi-year highs. The country's ballooning twin deficits, while an anticipated product of the administration's Build, Build, Build program, was also catching the attention of credit rating agencies. Rising tensions of a trade war between the US and China have also dampened global growth prospects. Market players took cues from every Trump jab, and every tidbit from Chinese President Xi Jinping.

We expect another volatile 2019, dictated by the unresolved trade war between the US and China. We believe inflation has peaked in 2018 and look forward to a stable peso. Economic data such as GDP, remittances, the peso, trade balance and the twin deficits will be closely monitored moving forward as any sharp and unexpected moves will impact the performance of the fund. The country's credit rating will also be closely watched as the S&P, Moody's and Fitch have already cited risks to the country's credit score. Long term, the Fund maintains its bullish stance. However, the Fund will err on the side of caution and maintain a healthy cash position given the uncertainty.

B. Financial Condition

Y2018 compared to Y2017

INCOME AND EXPENSES

Comprehensive Income	Y2018	Y2017	Inc/(Dec)	Percent
	P		(P)	
Total Income	(253,216,288)	P717,679,023	970,895,311	-135%
Total Expenses	60,216,194	79,638,497	(19,422,304)	-24%
Net Income	(P)313,432,482	P638,040,526	(P)950,470,007	149%

Investment Income

Investment Income	Y2018	Y2017	Inc/(Dec)	Percent
Net gain on financial assets at fair value through profit or loss	(P292,222,978)	P663,016,920	(P955,239,898)	144.07%
Dividend Income	35,514,716	52,667,066	(17,152,350)	-32.57%
Interest Income	3,491,974	1,995,037	1,496,937	75.03%
Total	P(253,216,288)	P717,679,023	(P)970,895,311	-135.28%

The decrease in investment income by 135% as compared to 2017 is due to loss on sale marketable securities.

Expenses

Expenses	Y2018	Y2017	Inc/(Dec)	Percent
Management fee	P44,934,756	P56,623,837	(P11,689,081)	-20.64%
Taxes and licenses	9,620,630	13,449,902	(3,829,272)	-28.47%

Transaction cost	108,015	98,543	9,472	9.61%
Commission expense	4,051,284	8,480,559	(4,429,275)	-52.23%
Professional fees	452,046	476,209	(24,163)	-5.07%
Income tax expense	698,395	399,007	299,388	75.03%
Others	351,068	110,440	240,628	217.88%
Total	P60,216,194	P79,638,497	(P19,422,304)	-24%

Management fee decreased due to the decline in asset under management by PEMI while taxes and also drops mainly due to lower revenues in 2018 that is subjected to local taxes. The decreased in commission paid, transaction costs, professional fees, and other office and admin expense has a favourable impact on total expenses.

ASSETS AND LIABILITIES

Financial Position	Y2018	Y2017	Inc/(Dec)	Percent
Financial assets at fair value through profit or loss	2,186,488,042	2,789,005,434	(602,517,391)	-21.60%
Cash and cash equivalent	310,869,817	186,194,717	124,675,101	66.96%
Loans and receivables	1,613,007	6,332,722	(4,719,715)	-74.53%
Prepaid Expenses	-	10,500	(10,500)	-100.00%
Total Assets	2,498,970,866	2,981,543,373	(482,572,506)	-16.19%
Total Liabilities	9,679,563	P22,788,013	(13,108,452)	-57.52%
Total Equity	2,489,291,303	2,958,755,357	(469,464,055)	-15.87%

Assets

Cash and cash equivalents

This account consists of:

	2018	2017
Cash in banks	P2,769,817	P4,194,716
Short-term deposits	308,100,000	182,000,000
Total	P310,869,817	P186,194,716

Financial assets at fair value through profit or loss (FVPL)

The Fund's financial assets at FVPL comprise of held-for-trading investments in shares of stock listed in the Philippine Stock Exchange (PSE).

Loans and receivable

	2018	2017
Due from brokers	-	P4,652,915
Dividend receivable	960,395	1,672,223
Accrued interest receivable	652,612	7,584
Total	P1,613,007	P6,332,722

Due from broker pertains to receivables from proceeds of equity securities sold but not yet settled as of reporting date.

Liabilities

The Fund's total liability is composed of due to broker, accounts payable, accrued expenses and intercompany transactions with related parties. Net movement in total liabilities is mainly due to decrease in accounts payables related to unpaid redemption proceeds and subscriptions without confirmation from investors and decrease of dues to broker account.

As an open-end mutual fund company, the Fund stands ready at anytime to redeem the outstanding capital stock at Net Asset Value (NAV) per share as follows:

	Y2018	Y2017
Net asset value attributable to holders of redeemable shares	P2,489,291,302	P2,958,755,357
Number of shares outstanding	1,985,061,762	2,106,952,463
NAV per share	P1.2540	P1.4043

Below is comparative study of the net asset value per share of selected mutual funds for the years 2018 and 2017:

		2018		2017	
Fund Name		NAV	1 yr. Return	NAV	1 yr. Return
		Per Share	(%)	Per Share	(%)
STOCK FUNDS					
Primarily invested in Peso securities					
1	ALFM Growth Fund, Inc. *	252.07	-13.38%	293.23	22.15%
2	ATRAM Alpha Opportunity Fund, Inc.*	1.4262	-10.94%	1.5968	22%
3	ATRAM Philippine Equity Opportunity Fund, Inc.*	3.9056	-14.26%	4.5927	19.89%
4	Climbs Share Capital Equity Investment Fund Corp.*	0.8908	-11.97%	1.0161	n.a.
5	First Metro Consumer Fund on MSCI Phils. IMI, Inc. * *****	0.8227	n.a.	n.a.	n.a.
6	First Metro Save and Learn Equity Fund, Inc.*	5.2643	-11.68%	6.0121	23.23%
7	MBG Equity Investment Fund, Inc. * *****	117.97	n.a.	N.S.	N.S.
8	One Wealthy Nation Fund, Inc.*	0.8351	-15.24%	0.9919	12.41%
9	PAMI Equity Index Fund, Inc.*	49.3338	-11.63%	56.3924	24.1%
10	Philam Strategic Growth Fund, Inc.*	515.03	-11.62%	588.46	20.02%
11	Philequity Dividend Yield Fund, Inc.*	1.2564	-9.79%	1.4043	21.03%
12	Philequity Fund, Inc.*	36.6902	-10.01%	41.0954	23.38%
13	Philequity PSE Index Fund Inc.*	4.9704	-11.72%	5.6741	25.14%
14	Philippine Stock Index Fund Corp.*	830.36	-11.51%	945.8	24.62%
15	Soldivo Strategic Growth Fund, Inc. *	0.861	-10.15%	0.9671	19.17%
16	Sun Life Prosperity Philippine Equity Fund, Inc.*	4.0643	-10.59%	4.5802	22.32%
17	Sun Life Prosperity Philippine Stock Index Fund, Inc.*	0.9565	-11.84%	1.0933	24.72%

18	United Fund, Inc.*	3.5002	-8.63%	3.8942	25.95%
Exchange Traded Fund					
19	First Metro Phil. Equity Exchange Traded Fund, Inc.	110.9856	-11.19%	129.7344	26.34%
Primarily invested in foreign currency securities					
20	ATRAM AsiaPlus Equity Fund, Inc.	\$0.9256	-14.9%	\$1.1096	34.19%
21	Sun Life Prosperity World Voyager Fund, Inc.	\$1.0903	-13.48%	\$1.2652	21.89%
BALANCED FUNDS					
Primarily invested in Peso securities					
22	ATRAM Dynamic Allocation Fund, Inc.*	1.6537	-10.67%	1.8635	11.8%
23	ATRAM Philippine Balanced Fund, Inc.*	2.2096	-9.54%	2.457	11.39%
24	First Metro Save and Learn Balanced Fund Inc.*	2.5423	-7.66%	2.7691	14.98%
25	Grepalife Balanced Fund Corporation* ****	1.3061	-9.86%	n.a.	n.a.
26	NCM Mutual Fund of the Phils., Inc.*	1.8446	-6.6%	1.4549	n.a.
27	PAMI Horizon Fund, Inc.*	3.5357	-8.95%	3.9181	11.81%
28	Philam Fund, Inc.*	15.9137	-8.62%	17.5577	11.5%
29	Solidaritas Fund, Inc.* *****	2.0715	-7.24%		
30	Sun Life of Canada Prosperity Balanced Fund, Inc.*	3.6542	-8.09%	3.9962	14.82%
31	Sun Life Prosperity Dynamic Fund, Inc.*	0.9212	-8.96%	1.0203	14.05%
Primarily invested in foreign currency securities					
32	Cocolife Dollar Fund Builder, Inc.	\$0.03519	-2.49%	\$0.03611	3.59%
33	PAMI Asia Balanced Fund, Inc.	\$0.9254	-11.78%	\$1.0561	21.2%
34	Sun Life Prosperity Dollar Advantage Fund, Inc.	\$3.296	-9.44%	\$3.6525	17.22%
35	Sun Life Prosperity Dollar Wellspring Fund, Inc.	\$1.0056	-9.3%	\$1.1122	10.38%
BOND FUNDS					
Primarily invested in Peso securities					
36	ALFM Peso Bond Fund, Inc.*	343.38	1.94%	337.07	2.3%
37	ATRAM Corporate Bond Fund, Inc.* *****	1.8568	-2.4%	1.8923	-0.9%
38	Cocolife Fixed Income Fund, Inc.*	2.9702	5.4%	2.8184	5.32%
39	Ekklesia Mutual Fund Inc.*	2.1303	1.35%	2.1037	1.63%
40	First Metro Save and Learn Fixed Income Fund, Inc.*	2.2089	-0.23%	2.215	0.49%
41	Grepalife Fixed Income Fund Corp.*	P 1.5639	-2.82%	P 1.6095	3.23%
42	Philam Bond Fund, Inc.*	3.9198	-2.96%	4.05	0.39%
43	Philequity Peso Bond Fund, Inc.*	3.5135	0.41%	3.5049	0.95%
44	Soldivo Bond Fund, Inc.*	0.8925	-3.02%	0.9232	0.18%
45	Sun Life of Canada Prosperity Bond Fund, Inc.*	2.7647	-0.49%	2.7767	4.06%
46	Sun Life Prosperity GS Fund, Inc.*	1.5389	-0.65%	1.5495	3.79%
Primarily invested in foreign currency securities					

47	ALFM Dollar Bond Fund, Inc. *	\$448.26	0.61%	\$445.85	3.21%
48	ALFM Euro Bond Fund, Inc. *	C212.61	-0.52%	C213.71	2.06%
49	ATRAM Total Return Dollar Bond Fund, Inc.**	\$1.1253	-0.82%	\$1.1342	3.49%
50	First Metro Save and Learn Dollar Bond Fund, Inc.*	\$0.0249	-0.4%	\$0.025	1.21%
51	Grepalife Dollar Bond Fund Corp.*	\$1.6904	-4.43%	\$1.7715	3.51%
52	MAA Privilege Dollar Fixed Income Fund, Inc.	N.S.	N.S.	N.S.	N.S.
53	MAA Privilege Euro Fixed Income Fund, Inc.	CN.S.	N.S.	CN.S.	N.S.
54	PAMI Global Bond Fund, Inc.*	\$1.0338	-3.21%	\$1.0748	2.99%
55	Philam Dollar Bond Fund, Inc.*	\$2.1709	-3.44%	\$2.2512	4.45%
56	Philequity Dollar Income Fund Inc.*	\$0.0569919	-0.75%	\$0.0572159	1.51%
57	Sun Life Prosperity Dollar Abundance Fund, Inc.*	\$2.8716	-4.53%	\$3.0128	3.95%
MONEY MARKET FUNDS					
<i>Primarily invested in Peso securities</i>					
58	ALFM Money Market Fund, Inc.	120.82	2.78%	117.6	1.73%
59	Philam Managed Income Fund, Inc.	1.1815	2.08%	1.1574	0.83%
60	Sun Life Prosperity Money Market Fund, Inc.	1.2186	2.66%	1.1871	2.24%
<i>Primarily invested in foreign currency securities</i>					
61	Sun Life Prosperity Dollar Starter Fund, Inc.* *	\$1.0156	1.67%	\$0.9986	n.a.

Y2017 compared to Y2016

INCOME AND EXPENSES

Comprehensive Income	Y2017	Y2016	Inc/(Dec)	Percent
Total Income	P717,679,023	P60,846,102	P656,832,921	1079%
Total Expenses*	79,638,498	100,619,073	(20,980,575)	-20.85%
Net Income	P637,040,525	(P39,772,971)	P677,813,496	-1704%

*includes provision for income tax

Investment Income

Investment Income	Y2017	Y2016	Inc/(Dec)	Percent
Net gain on financial assets at fair value through profit or loss	663,016,920	(21,522,760)	684,539,680	3180.54%
Dividend Income	52,667,066	78,561,189	(25,894,123)	-32.96%
Interest Income	1,995,037	3,807,673	(1,812,636)	-47.60%
Total	717,679,023	60,846,102	656,832,921	1079.50%

The increase in investment income by 1,079% as compared to 2016 is greatly attributable to improvement in market value of equity securities.

Expenses

Expenses	Y2017	Y2016	Inc/(Dec)	Percent
Management fee	P56,623,837	P68,706,506	P(12,082,669)	-17.59%
Taxes and licenses	13,449,902	14,949,077	(1,499,175)	-10.03%
Transaction cost	98,543	384,241	(285,698)	-74.35%
Commission expense	8,480,559	14,247,389	(5,766,830)	-40.48%
Professional fees	476,209	1,052,718	(576,509)	-54.76%
Income tax Expenses	399,008	761,536	(362,528)	-47.60%
Others	110,440	517,607	(407,167)	-78.66%
Total	P79,638,498	P100,619,074	(20,980,576)	-20.85%

Management fee decreased due to the decline in asset under management by PEMI while taxes and also drops mainly due to lower revenues in 2016 that is subjected to local taxes. The decreased in commission paid, transaction costs, professional fees, and other office and admin expense has a favourable impact on total expenses.

ASSETS AND LIABILITIES

Financial Position	Y2017	Y2016	Inc/(Dec)	Percent
Financial assets at fair value through profit or loss	2,789,005,434	2,973,783,539	(184,778,105)	-6.21%
Cash and cash equivalent	186,194,716	660,684,218	(474,489,502)	-71.82%
Loans and receivables	6,332,722	25,408,962	(19,076,240)	-75.08%
Prepaid Expenses	10,500	500	10,000	2000.00%
Total Assets	2,981,543,372	3,659,877,219	(678,333,847)	-18.53%
Total Liabilities	22,788,015	58,168,737	(35,380,723)	-60.82%
Total Equity	2,958,755,357	3,601,708,482	(642,953,126)	-17.85%

Assets

Cash and cash equivalents

This account consists of:

	2017	2016
Cash in banks	4,194,716	2,777,539
Short-term deposits	182,000,000	657,906,679
Total	186,194,716	660,684,218

Financial assets at fair value through profit or loss (FVPL)

The Fund's financial assets at FVPL comprise of held-for-trading investments in shares of stock listed in the Philippine Stock Exchange (PSE).

Loans and receivable

	2017	2016
Due from brokers	4,652,915	22,787,969
Dividend receivable	1,672,223	2,581,514
Accrued interest receivable	7,584	39,479
Total	6,332,722	25,408,962

Due from broker pertains to receivables from proceeds of equity securities sold but not yet settled as of reporting date.

Liabilities

The Fund's total liability is composed of due to broker, accounts payable, accrued expenses and intercompany transactions with related parties. Net movement in total liabilities is mainly due to decrease in accounts payables related to unpaid redemption proceeds and subscriptions without confirmation from investors and decrease of dues to broker account.

As an open-end mutual fund company, the Fund stands ready at anytime to redeem the outstanding capital stock at Net Asset Value (NAV) per share as follows:

	Y2017	Y2016
Net asset value attributable to holders of redeemable shares	2,958,755,357	3,601,708,482
Number of shares outstanding	2,106,952,463	3,098,137,454
NAV per share	1.4043	1.1625

Below is comparative study of the net asset value per share of selected mutual funds for the years 2017 and 2016:

		2017		2016	
	Fund Name	NAV Per Share	1 yr. Return (%)	NAV Per Share	1 yr. Return (%)
STOCK FUNDS					
<i>Primarily invested in Peso securities</i>					
1	ALFM Growth Fund, Inc *	293.23	22.15%	240.14	-2.41%
2	ATRAM Alpha Opportunity Fund, Inc.*	1.5968	22%	1.3203	12.68%
3	ATRAM Philippine Equity Opportunity Fund, Inc.*	4.5927	19.89%	3.8509	5.41%
4	Climbs Share Capital Equity Investment Fund Corp.*	1.0161	n.a.	N.S.	N.S.
5	First Metro Save and Learn Equity Fund, Inc.*	6.0121	23.23%	4.9058	-7.05%
6	MBG Equity Investment Fund, Inc. * *****	N.S.	N.S.	-	-
7	One Wealthy Nation Fund, Inc.*	0.9919	12.41%	0.888	-9.09%
8	PAMI Equity Index Fund, Inc.*	56.3924	24.1%	45.3772	-2.85%
9	Philam Strategic Growth Fund, Inc.*	588.46	20.02%	490.24	-3.06%
10	Philequity Dividend Yield Fund, Inc.*	1.4043	21.03%	1.1625	-0.86%
11	Philequity Fund, Inc.*	41.0954	23.38%	33.3286	-1.33%

12	Philequity PSE Index Fund Inc.*	5.6741	25.14%	4.5379	-1.57%
13	Philippine Stock Index Fund Corp.*	945.8	24.62%	758.32	-2.19%
14	Soldivo Strategic Growth Fund, Inc. *	0.9671	19.17%	0.8108	-5.24%
15	Sun Life Prosperity Philippine Equity Fund, Inc.*	4.5802	22.32%	3.7454	-2.02%
16	Sun Life Prosperity Philippine Stock Index Fund, Inc.*	1.0933	24.72%	0.8755	-1.84%
17	United Fund, Inc.*	3.8942	25.95%	3.095	-1.1%
Exchange Traded Fund					
18	First Metro Phil. Equity Exchange Traded Fund, Inc.	129.7344	26.34%	102.6089	-9.67%
Primarily invested in foreign currency securities					
19	ATRAM AsiaPlus Equity Fund, Inc.	\$1.1096	34.19%	\$0.8366	-6.02%
20	Sun Life Prosperity World Voyager Fund, Inc.	\$1.2652	21.89%	\$1.0358	n.a.
BALANCED FUNDS					
Primarily invested in Peso securities					
21	ATRAM Dynamic Allocation Fund, Inc.	1.8635	11.8%	1.6659	-4.13%
22	ATRAM Philippine Balanced Fund, Inc.	2.457	11.39%	2.2167	3.9%
23	Bahay Pari Solidaritas Fund, Inc.	2.2452	12.45%	1.9917	-0.31%
24	First Metro Save and Learn Balanced Fund Inc.	2.7691	14.98%	2.4192	-10.08%
25	NCM Mutual Fund of the Phils., Inc.	1.4549	n.a.	N.S.	N.S.
26	One Wealthy Nation Fund, Inc.	1.9876	11.68%	1.7718	-0.91%
27	PAMI Horizon Fund, Inc.****	3.9181	11.81%	3.511	-1.45%
28	Philam Fund, Inc.	17.5577	11.5%	15.7503	-1.47%
29	Sun Life of Canada Prosperity Balanced Fund, Inc.*	3.9962	14.82%	3.4914	-2.71%
30	Sun Life Prosperity Dynamic Fund, Inc.*	1.0203	14.05%	0.8962	-3.22%
Primarily invested in foreign currency securities					
31	Cocolife Dollar Fund Builder, Inc.	\$0.03611	3.59%	\$0.0349	-1.41%
32	PAMI Asia Balanced Fund, Inc.	\$1.0561	21.2%	\$0.8823	-1.97%
33	Sun Life Prosperity Dollar Advantage Fund, Inc.	\$3.6525	17.22%	\$3.1106	-0.05%
34	Sun Life Prosperity Dollar Wellspring Fund, Inc.	\$1.1122	10.38%	\$1.0082	n.a.
BOND FUNDS					
Primarily invested in Peso securities					
35	ALFM Peso Bond Fund, Inc.*	337.07	2.3%	329.84	2.17%
36	ATRAM Corporate Bond Fund, Inc.*	1.8923	-0.9%	1.9198	0.34%
37	Cocolife Fixed Income Fund, Inc.*	2.8184	5.32%	2.6833	6.14%
38	Ekklesia Mutual Fund Inc.*	2.1037	1.63%	2.0803	2.07%
39	First Metro Save and Learn Fixed Income Fund, Inc.*	2.215	0.49%	2.2058	-0.01%
40	Grepalife Fixed Income Fund Corp.*	P 1.6095	3.23%	P 1.5745	-1.62%

41	Philam Bond Fund, Inc.*	4.05	0.39%	4.046	1.52%
42	Philequity Peso Bond Fund, Inc.	3.5049	0.95%	3.472	-0.22%
43	Soldivo Bond Fund, Inc.	0.9232	0.18%	0.9217	0.53%
44	Sun Life of Canada Prosperity Bond Fund, Inc.	2.7767	4.06%	2.6879	-0.53%
45	Sun Life Prosperity GS Fund, Inc.	1.5495	3.79%	1.5066	-1.14%
Primarily invested in foreign currency securities					
46	ALFM Dollar Bond Fund, Inc. *	\$445.85	3.21%	\$432.3	3.29%
47	ALFM Euro Bond Fund, Inc. *	€213.71	2.06%	€209.58	1.67%
48	ATRAM Total Return Dollar Bond Fund, Inc.**	\$1.1342	3.49%	\$1.097	0.25%
49	First Metro Save and Learn Dollar Bond Fund, Inc.*	\$0.025	1.21%	\$0.0247	1.65%
50	Grepalife Dollar Bond Fund Corp.*	\$1.7715	3.51%	\$1.7121	0.08%
51	MAA Privilege Dollar Fixed Income Fund, Inc.	N.S.	N.S.	N.S.	N.S.
52	MAA Privilege Euro Fixed Income Fund, Inc.	CN.S.	N.S.	CN.S.	N.S.
53	PAMI Global Bond Fund, Inc.*	\$1.0748	2.99%	\$1.0488	-0.11%
54	Philam Dollar Bond Fund, Inc.*	\$2.2512	4.45%	\$2.1572	2.22%
55	Philequity Dollar Income Fund Inc.*	\$0.0572159	1.51%	\$0.0564	1.62%
56	Sun Life Prosperity Dollar Abundance Fund, Inc.*	\$3.0128	3.95%	\$2.8995	1.83%
MONEY MARKET FUNDS					
Primarily invested in Peso securities					
57	ALFM Money Market Fund, Inc.	117.6	1.73%	115.61	1.14%
58	Philam Managed Income Fund, Inc.	1.1574	0.83%	1.1476	-0.68%
59	Sun Life Prosperity Money Market Fund, Inc.	1.1871	2.24%	1.1611	1.9%
Primarily invested in foreign currency securities					
60	Sun Life Prosperity Dollar Starter Fund, Inc.*	\$0.9986	n.a.	N.S.	N.S.

C. Top Five (5) Indicators

Philequity Dividend Yield Fund, Inc. monitors the following indicators which affect its profitability:

- (1) Philippine Composite Index (Phisix) – Phisix is the benchmark used to track the local stock market on an aggregate basis. On average, equity funds including PDYF, move in tandem with the Phisix.
- (2) Gross National Product (GNP) and Gross Domestic Product (GDP) – The GNP and GDP growth usually mirrors the economic cycle. A positive outlook on the economy is bullish for stocks and PDYF. A negative forecast on the other hand, is bearish for stocks and PDYF.
- (3) Interest Rates – A low interest rate environment, which is indicative of liquidity in the market, is healthy for stocks. A high interest rate level results in the reverse.

- (4) Price to Earnings Ratio (P/E Ratio) of the Market – The P/E Ratio and other valuation ratios are used to determine if companies are undervalued or not with respect to their earning power. A low P/E Ratio in a stock is usually a signal that the stock is worth buying for PDYF. Similarly, a low market P/E Ratio is a signal that it is worth increasing PDYF's equity allocation vis a vis its cash holdings.
- (5) Foreign Buying and Selling Activity – Foreign trading activity is tracked daily by the Philippine Stock Exchange. Consistent net buying by foreign players is positive for the broader market and for PDYF.

Key Indicators		2018		2017	
PHISIX	End-Dec	7,466.02	End-Dec	8,558.42	
GNP growth	4Q	5.2%	4Q	6.49%	
GDP growth	4Q	6.1%	4Q	6.60%	
P/E Ratio	End-Dec	18.58	End-Dec	23.63	
Foreign Buying and Selling	4Q	22.7B Net Foreign Buy	4Q	1.397B Net Foreign Sell	

E. Other Matters

There are no events that will trigger direct or contingent financial obligations that are material to Philequity Dividend Yield Fund, Inc. Neither are there material off-balance sheet transactions, arrangements, obligations and other relationships of Philequity Dividend Yield Fund, Inc. with entities or persons created during the immediately preceding period. There are no significant elements of income or loss that did not arise from PDYF's continuing operations.

F. Causes for any Material Changes (+/-5% or more) in the Financial Statements

Income Statement Items – Y2018 versus Y2017

144.07% decrease in net gain on financial asset at fair value through profit and loss.
Due to lower market value of equity securities.

32.57% decrease in dividend income
Due to decrease in investment that declared dividends during the year.

75.03% increase in interest income
Mainly from higher volume of short-term investments during the year.

20.64% decrease in management fee
Due to lower assets under management by PEMI

28.47% decrease in taxes and licenses
Net decrease pertains to lower sales tax and business tax paid for the year.

52.23% decrease in commission expense
Effect of reclassification from commission expense to transaction cost for the year 2017.

9.61% increase in transaction costs
Effect of reclassification from commission expense to transaction cost for the year 2017.

5.07% decrease in professional fees
Due to decrease in legal and other professional fees paid during the year.

217% increase in other expense

Increase in various administrative and office expenses for the year.

Balance Sheet Items – Y2018 versus Y2017

66.96% increase in cash and cash equivalents

Due to higher short term, money market placements outstanding as of reporting period.

21.6% decrease in financial assets at fair value through profit or loss

Decreased in investments in equity securities outstanding as of reporting date period

74.53 % decrease in loans and receivable

Primarily due to decreased in receivables due from brokers, from the proceeds of equity securities sold not yet settled as of reporting date..

100.00% increase in prepaid expenses

Increase in prepaid taxes for the year.

ITEM 7. FINANCIAL STATEMENTS

The audited financial statements and schedules listed in the accompanying index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Information on Independent Accountant

The Company's Board of Directors reviews and approves the engagement of services of the Company external auditors, who are appointed upon the recommendation of the Audit Committee, and which appointment shall be ratified by the stockholders during the annual stockholders' meeting. The Chairman of the Company's Audit Committee is Mr. Dobbin Tan, an independent director. The two other members of the Committee are Mr. Leo M. Garcia and Ms. Violeta O. Luym.

The principal accountants and external auditors of the Company is the accounting firm of SyCip, Gorres, Velayo & Company ("SGV & Co.") with address at SGV Building, 6760 Ayala Avenue, Makati City. The same accounting firm is being recommended for re-election at the scheduled annual meeting. Representatives of the said firm are expected to be present at the upcoming annual stockholders' meeting to respond to appropriate questions and to make a statement if they so desire.

In compliance with SRC Rule 68(3)(b)(iv), as amended, the assignment of SGV's engagement partner for the Fund shall not exceed five (5) consecutive years. Mr. Michael Sabado was the partner in charge for the year 2017 and Juan Carlo B. Maminta from 2018 up to the present.

The audit and audit-related fees paid by the Company in the last two (2) fiscal years are as follows:

A. Audit and Audit-related Fees	2018	2017
A. Audit of the registrant's annual financial statements or services that are normally provided by the external auditor in connection with the statutory and regulatory filings or engagements.	84,117	84,117
B. Other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements.	N/A	N/A
B. Taxes/Fees	-	-
C. All other Fees	-	-

It is the Fund's Board of Directors which approves the audit fees as recommended by the Audit Committee.

The Independent Accountant does not render tax accounting compliance, advice, planning and other forms of tax services for the Corporation. The Independent Accountant also does not render other services for the Corporation.

A. OTHER INFORMATION

OTHER RATIOS REQUIRED FOR MUTUAL FUNDS

(i) PERCENTAGE OF INVESTMENT IN A SINGLE ENTERPRISE TO NET ASSET VALUE

		As of December 31, 2018	As of December 31, 2017
	<i>Investment in equity securities:</i>		
AC	AC - Ayala Corporation	5.98%	5.70%
AEV	AEV - Aboitiz Equity Ventures, Inc.	0.95%	0.25%
AGI	AGI - ALLIANCE GLOBAL INC	0.24%	0.20%
ALI	ALI - Ayala Land, Inc.	9.64%	7.74%
AP	AP - Aboitiz Power Corp.	0.93%	0.99%
BDO	BDO - BDO Unibank, Inc.	6.11%	9.13%
BLOOM	BLOOM - Bloomerry Resorts Corporation	0.20%	0.23%
BPI	BPI - Bank of the Phil. Island	4.89%	3.16%
CEB	CEB - Cebu Air, Inc.	-	0.98%
DMC	DMC - DMCI Holdings, Inc.	0.99%	2.23%
DNL	DNL - D & L Industries Inc	-	0.04%
EDC	EDC - PNOC Energy Dev. Corp.	-	3.73%
EEL	EEL - Engineering Equipment Inc	0.18%	0.37%
EW	EW - East West Banking Corporation	-	2.13%
FGEN	FGEN - First Gen Corporation	0.56%	0.48%
FLI	FLI - Filinvest Land, Inc.	1.27%	1.43%
GLO	GLO - Globe Telecom, Inc.	1.83%	1.16%
GTCAP	GTCAP - GT Capital Holdings, Inc.	1.72%	2.10%
ICT	ICT - Intl. Cont. Terminal Serv. Inc.	2.89%	3.15%
JFC	JFC - Jollibee Foods Corp.	3.86%	3.31%
JGS	JGS - JG Summit Holdings, Inc.	3.05%	3.72%
LTG	LTG - LT Group, Inc.	0.52%	0.50%
MAC	MAC - MacroAsia Corporation	-	0.50%
MBT	MBT - Metro Bank & Trust Co.	4.55%	4.32%
MEG	MEG - Megaworld Prop. & Holdings, Inc.	1.74%	1.69%
MER	MER - MERALCO-A	2.11%	1.69%
MPI	MPI - Metro Pacific Investments Corporation	1.74%	3.02%
MWC	MWC - Manila Water Company, Inc.	1.31%	1.56%
MWIDE	MWIDE - Megawide Construction Company	-	1.31%
PCOR	PCOR - Petron Corp	0.56%	0.65%
PGOLD	PGOLD - Puregold Price Club Inc	0.67%	1.23%
PLC	PLC - Premium Leisure Corp	0.16%	0.50%
PNB	PNB - Philippine National Bank	0.09%	0.10%
RLC	RLC - Robinson Land Corp.	0.36%	0.24%
RRHI	RRHI - Robinsons Retail Holdings Inc	0.30%	0.27%

SCC	SCC - Semirara Mining Corp.	0.50%	0.68%
SECB	SECB - Security Bank Inc	0.98%	1.36%
SHLPH	SHLPH - Pilipinas Shell Petroleum Corporation	0.12%	0.09%
SM	SM - SM Investment Corp.	12.33%	10.64%
SMC	SMC - San Miguel Corporation	0.69%	0.26%
SMPH	SMPH - SM Prime Holdings, Inc.	8.08%	6.98%
TEL	TEL - Phil Long Distance Tel Co	3.37%	3.38%
URC	URC - Universal Robina	2.35%	1.09%

(i) **TOTAL INVESTMENT OF THE FUND TO THE OUTSTANDING SHARES OF AN INVESTEE COMPANY**

		As of December 31, 2018	As of December 31, 2017
AC	AC - Ayala Corporation	0.03%	0.03%
AEV	AEV - Aboitiz Equity Ventures, Inc.	0.01%	0.00%
AGI	AGI - ALLIANCE GLOBAL INC	0.00%	0.00%
ALI	ALI - Ayala Land, Inc.	0.04%	0.03%
AP	AP - Aboitiz Power Corp.	0.01%	0.01%
BDO	BDO - BDO Unibank, Inc.	0.03%	0.04%
BLOOM	BLOOM - Bloomer Resorts	0.00%	0.01%
BPI	BPI - Bank of the Phil. Island	0.03%	0.02%
CEB	CEB - Cebu Air, Inc.	-	0.05%
DMC	DMC - DMCI Holdings, Inc.	0.01%	0.03%
DNL	DNL - D & L Industries Inc	-	0.00%
EDC	EDC - PNOC Energy Dev. Corp.	-	0.10%
EEI	EEI - Engineering Equipment Inc	0.06%	0.09%
EW	EW - East West Banking Corporation	-	0.13%
FGEN	FGEN - First Gen Corporation	0.02%	0.02%
FLI	FLI - Filinvest Land, Inc.	0.09%	0.09%
GLO	GLO - Globe Telecom, Inc.	0.02%	0.01%
GTCAP	GTCAP - GT Capital Holdings, Inc.	0.02%	0.02%
ICT	ICT - Intl. Cont. Terminal Serv. Inc.	0.04%	0.04%
JFC	JFC - Jollibee Foods Corp.	0.03%	0.04%
JGS	JGS - JG Summit Holdings, Inc.	0.02%	0.02%
LTG	LTG - LT Group, Inc.	0.01%	0.01%
MAC	MAC - MacroAsia Corporation	-	0.05%
MBT	MBT - Metro Bank & Trust Co.	0.04%	0.04%
MEG	MEG - Megaworld Prop. & Holdings, Inc.	0.03%	0.03%
MER	MER - MERALCO-A	0.01%	0.01%
MPI	MPI - Metro Pacific Investments Corporation	0.03%	0.04%
MWC	MWC - Manila Water Company, Inc.	0.06%	0.08%
MWIDE	MWIDE - Megawide Construction Company	-	0.10%
PCOR	PCOR - Petron Corp	0.02%	0.02%
PGOLD	PGOLD - Puregold Price Club Inc	0.01%	0.03%
PLC	PLC - Premium Leisure Corp	0.02%	0.03%
PNB	PNB - Philippine National Bank	0.00%	0.00%
RLC	RLC - Robinson Land Corp.	0.01%	0.01%
RRHI	RRHI - Robinsons Retail Holdings Inc	0.01%	0.01%
SCC	SCC - Semirara Mining Corp.	0.01%	0.01%

SECB	SECB - Security Bank Inc	0.02%	0.02%
SHLPH	SHLPH - Pilipinas Shell Petroleum Corporation	0.00%	0.00%
SM	SM - SM Investment Corp.	0.03%	0.03%
SMC	SMC - San Miguel Corporation	0.00%	0.00%
SMPH	SMPH - SM Prime Holdings, Inc.	0.02%	0.02%
TEL	TEL - Phil Long Distance Tel Co	0.03%	0.03%
URC	URC - Universal Robina	0.02%	0.01%
		As of December 31, 2018	As of December 31, 2017
Total Investment in Liquid or Semi-Liquid Assets to Total Assets		12.44%	6.24%
Total Operating Expenses to Total Net Worth		2.23%	2.35%
Total Assets to Total Borrowings		25821.66%	13083.82%

As of December 31, 2018 and December 31, 2017, the Fund's average daily net asset value is Php 2,639,284,008.47 and Php 3,326,056,697.26 respectively.

(vi) Number of Institutional and Retail Investors and the Percentage of their Investments

	Number of Investors	Percentage of Investment	Number of Shares
Retail	2386	51.66%	1,025,554,178
Institutional	1422	48.34%	959,507,584

(vii) Geographic Concentration of Investments

	Number of Investors	Percentage of Investment	Number of Shares
Philippines	3799	98.53%	1,955,813,933
Others	9	1.47%	29,247,829

(viii) Level of FATCA Compliance

The fund has implemented standard procedures to be FATCA-compliant. Currently, the fund has no investor qualified as US person.

ITEM 8. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS

There have been no changes in and any disagreements with accountants in the last five (5) years on any accounting and financial disclosures.

PART III. CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS

A. Directors, Executive Officers, and Control Persons

The names, ages and periods of service of all incumbent Directors and Executive Officers of the Fund, are as follows:

Name	Position	Citizenship	Age	Periods Served
Ignacio B. Gimenez	Chairman/President	Filipino	73	Incorporation to present
Dobbin Tan	Independent Director	Filipino	53	September 2018 to present
Gregorio U. Kilayko	Independent Director	Filipino	64	Incorporation to present
Violeta O. Luym	Director/Treasurer	Filipino	71	Incorporation to present
Aurora L. Shih	Director	Filipino	77	2013 to present
Leo M. Garcia	Director	Filipino	82	2013 to present
Ramon Y. Sy	Director	Filipino	87	2013 to present
Bayani K. Tan	Corporate Secretary	Filipino	60	Incorporation to present
Kevin Sy	Assistant Treasurer	Filipino	33	2014 to present
Ma. Angelica D. Cabanit	Compliance Officer	Filipino	48	2014 to present
Ann Margaret K. Lorenzo	Assistant Corporate Secretary	Filipino	30	2017 to present

Ignacio B. Gimenez

Mr. Gimenez is the Chairman and President of the Fund from incorporation. Mr. Gimenez is the Chairman of Philequity Management, Inc. He is also the Chairman and President of the following mutual fund: Philequity Fund, Inc., (1994 to present), Philequity PSE Index Fund, Inc., Philequity Dollar Income Fund, Inc., and Philequity Peso Bond Fund, Inc., (1999 to present), Philequity Balanced Fund, Inc., Philequity Foreign Currency Fixed Income, Philequity Resources Fund, Inc., and Philequity Strategic Growth Fund, Inc. (2008 to present). Concurrently, he is the Director of Vantage Equities Inc. and eBusiness Services Inc., (2007 to present). At the same time, he also holds positions as Director of PIFA-Philippine Investment Funds Association, and as the Corporate Secretary of I.B. Gimenez Securities, Inc. He holds a graduate degree in Business Administration from the Asian Institute of Management (1970) and a college degree from the University of the Philippines (1967). He is the Treasurer of I. B. Gimenez Securities, Inc., a stock brokerage firm (1976 - present). He is also the Sales and Marketing Manager of Society Publishing, Inc. (1991 - present). He holds a graduate degree in Business Administration from the Asian Institute of Management (1970) and a college degree from the University of the Philippines (1967).

Gregorio U. Kilayko

Mr. Kilayko is an Independent Director of the Fund. He is also an Independent Director of the following mutual funds namely: (a) Philequity Dollar Income Fund, Inc. (b) Philequity PSE Index Fund, Inc. and (d) Philequity Peso Bond Fund, (1999 to present) Inc. He also an Independent Director of the following corporation: SM Prime Holdings (2008 to present), Belle Corporation (2003 to present), and Highlands Prime Corporation (2002 to 2013). He

holds a Bachelor of Science Degree in Industrial Management Engineering from De La Salle University (1978) and a Management of Business Administration from the Wharton School University of Pennsylvania (1981).

Violeta O. Luym

Ms. Luym is the Director and Treasurer of the Fund. She is also the Treasurer of the following mutual fund: Philequity Fund, Inc. (1994 to present), Philequity Dollar Income Fund, Inc., Philequity Peso Bond Fund, Inc., and Philequity PSE Index Fund, Inc. (1999 to present), Philequity Resources Fund, Inc., Philequity Strategic Growth Fund, Inc., Philequity Foreign Currency Fixed Income Fund, Inc., and Philequity Balanced Fund, Inc., (2008 to present). She holds a Master's Degree in Business Administration from the University of California Los Angeles (1968) and a Bachelor of Science Degree in Business Administration from the Assumption College (1967).

Dobbin A. Tan

Mr. Tan is the Independent Director of Philequity Fund, Inc., Philequity Foreign Currency Fixed Income Fund Inc., Philequity Resources Fund Inc., Philequity Balanced Fund Inc., and Philequity Strategic Growth Fund Inc. He is currently the President of New Sunlife Ventures Inc. and was the former Managing Director and Chief Operating Officer of Information Gateway (2002-2012). Mr. Tan holds a Master's degree in Business Administration from the University of Chicago, Booth School of Business and a Bachelor of Science degree in Management Engineering from Ateneo de Manila University.

Aurora L. Shih

Ms. Shih is the Director of the Fund. She is also a Director of the following mutual funds: (a) Philequity Fund, Inc. (1994 to present) (b) Philequity Peso Bond Fund, Inc. and (c) Philequity Dollar Income Fund, Inc. (1999 to present). She is also the Vice President of Luys Securities Company, Inc. Ms. Shih graduated from University of the East with a degree of Bachelor of Business Administration (1963).

Ramon Y. Sy

Mr. Sy is the Director the Fund. He is also a Director of the following mutual funds: (a) Philequity Fund, Inc. (b) Philequity Dollar Income Fund, Inc. (c) Philequity PSE Index Fund, Inc. and (d) Philequity Peso Bond Fund, Inc. (2006 to present) (e) Philequity Strategic Growth Fund, Inc. and (f) Philequity Foreign Currency Fixed Income Fund, Inc. (g) Philequity Resources Fund, Inc. and (h) Philequity Balanced Fund, Inc. (2008 to present). He is also the Chief Financial Officer of Apex Mining Co. Inc. (2014), the Vice Chairman and Director of Asia United Bank (2012 to present) and has served as the President and Chief Executive Officer of the United Coconut Planters Bank (2007-2011). He graduated with a Bachelor of Science in Commerce from Far Eastern University (1952).

Leo M. Garcia

Mr. Garcia is the Director of the Fund. He is also a Director of the following mutual funds: (a) Philequity PSE Index Fund, Inc. (1999 to present) (b) Philequity Foreign Currency Fixed Income Fund, Inc. (c) Philequity Resources Fund, Inc. (d) Philequity Balanced Fund, Inc. and (e) Philequity Strategic Growth Fund, Inc. (2008 to present). He is also the President of LM Garcia Securities Corporation (1980 to 1997). Mr. Garcia holds a Bachelor of Science in Business Administration degree from University of the Philippines (1958).

A. Bayani K. Tan

Mr. Tan has been the Corporate Secretary of the Corporation since January 2013. He is currently a Director, Corporate Secretary or both of the following reporting and/or listed companies: Belle Corporation (May 1994-present), Coal Asia Holdings, Inc. (July 2012-

present), Destiny Financial Plans, Inc. (2003-present), Discovery World Corporation (March 2013 as Director, July 2003-present as Corporate Secretary), First Abacus Financial Holdings Corp. (May 1994 – present), I-Remit, Inc. (May 2007-present), Pacific Online Systems Corporation (May 2007-present), Philequity Balanced Fund, Inc. (March 2010-present), Philequity Dollar Income Fund, Inc. (March 1999-present), Philequity Foreign Currency Fixed Income Fund, Inc. (March 2010-present), Philequity Fund, Inc. (1997-present), Philequity Peso Bond Fund, Inc. (June 2000-present), Philequity PSE Index Fund, Inc. (February 1999-present), Philequity Resources Fund, Inc. (March 2010-present), Philequity Strategic Growth Fund, Inc. (April 2008-present), Sinophil Corporation (December 1993-present), TKC Steel Corporation (February 2007-present), Tagaytay Highlands International Golf Club, Inc. (November 1993-present), Tagaytay Midlands Golf Club, Inc. (June 1997-present), The Country Club at Tagaytay Highlands, Inc. (August 1995-present), The Spa and Lodge at Tagaytay Highlands, Inc. (December 1999-present), Vantage Equities, Inc. (January 1993-present). Mr. Tan is the Managing Partner of the law offices of Tan Venturanza Valdez (1988 to present), Managing Director/President of Shamrock Development Corporation (May 1988-present), Director of Destiny LendFund, Inc. (December 2005-present) and Pascual Laboratories, Inc. (March 2014-present), President of Catarman Chamber Elementary School Foundation, Inc. (August 2012-present), Managing Trustee of SCTan Foundation, Inc. (1986-present), Trustee and Treasurer of Rebisco Foundation, Inc. (April 2013-present) and Trustee and Corporate Secretary of St. Scholastica's Hospital, Inc. (February 2011-present). He is currently the legal counsel of Xavier School, Inc.

Mr. Tan holds a Master of Laws degree from New York University USA (Class of 1988) and earned his Bachelor of Laws degree from the University of the Philippines (Class of 1980) where he was a member of the Order of the Purple Feather (U.P. College of Law Honor Society) and ranked ninth in his class. Mr. Tan passed the bar examinations in 1981 where he placed sixth. He has a Bachelor of Arts major in Political Science degree from the San Beda College (Class of 1976) from where he graduated Class Valedictorian and was awarded the medal for Academic Excellence.

Ann Margaret K. Lorenzo

Ann Margaret K. Lorenzo, 28, Filipino, is the Assistant Corporate Secretary of the Company. She concurrently serves as Assistant Corporate Secretary of the following listed firms: I-Remit, Inc., TKC Metals Corporation, Coal Asia Holdings, Incorporated and Crown Asia Chemicals Corporation. She also serves as Assistant Corporate Secretary of the following reporting companies: Philequity PSE Index Fund, Inc., Philequity Peso Bond Fund, Inc., Philequity Dollar Income Fund, Inc. She is also the Assistant Corporate Secretary of the following private companies: Philequity Strategic Growth Fund, Inc., Philequity Balanced Fund, Inc., Philequity Resources Fund, Inc., Philequity Foreign Currency Fixed Income Fund, Inc., Aldex Realty Corporation, Oakridge Properties, Inc., Palm Concepcion Power Corporation, Peakpower Energy, Inc., Peakpower Soccsargen, Inc., Peakpower San Francisco, Inc., Etruscan Resources Philippines, Inc., and Tao Mohin Resources Corporation. She is also the Corporate Secretary of Athena Ventures, Inc., TGTI Services, Inc., Galileo Software Services, Inc. and GGO Realty Holdings, Inc. She also serves as a director of TGTI Services, Inc. Ms. Lorenzo is currently a Junior Associate at Tan Venturanza Valdez. She holds a Juris Doctor and a Bachelor of Arts Degree in English Studies, cum laude, from the University of the Philippines in 2010 and 2014, respectively. She was admitted to the Philippine Bar in April 2015.

Kevin Sy

Mr. Sy is the Assistant Treasurer of the Fund since June 2014. He is currently the Vice President of Wealth Securities, Inc. (2013-present) and was the former Assistant Manager and Trader for Treasury, Foreign Interest Rate Risk Division in Rizal Commercial Banking Corporation (2010 – 2012). Mr. Sy holds a Bachelor of Science degree in Corporate Finance and Accounting from Bentley College in Waltham, Massachusetts (2007).

Ma. Angelica D. Cabanit

Ms. Cabanit is the Compliance Officer of the Company (incorporation to present). Presently, she manages the Treasury Operations of Vantage Equities, Inc. as well as the settlement and transaction control of eBusiness Services, Inc (2010 to present). Ms. Cabanit is a graduate of Bachelor of Science in Commerce major in Accounting from St. Scholastica's College (1989).

Independent Directors

Messrs. Tan and Kilayko qualify as independent directors of PDYF pursuant to Section 38 of the Securities Regulation Code.

Investment Manager and Adviser

Philequity Management, Inc.
2004A East Tower, Phil Stock Exchange Centre
Exchange Road, Ortigas Center, Pasig City

Custodian Bank

Philippine Depository and Trust Corporation
37/F, Tower 1, The Enterprise Center
6766 Ayala Avenue cor Paseo de Roxas
Makati City

Stock Transfer Agent

Banco de Oro (formerly Equitable PCI Bank, Inc.)
16/F EPCIBank Tower 1
Makati Avenue cor H.V. de la Costa, Makati City

Legal Counsel

Tan Venturanza Valdez Law Office
27/F PSE Centre, Exchange Road
Ortigas Center, Pasig City

External Auditors

Sycip, Gorres, Velayo & Company
6760 Ayala Avenue, Makati City

B. Significant Employees

The Fund has no significant employees.

C. Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, or persons nominated to become directors or executive officers of the Fund.

D. Involvement in Certain Legal Proceedings

As a result of the delay in the delivery of the facilities of the Universal Leisure Club, Inc., some of its members initiated a Complaint for Estafa (I.S. No. 08K-19713) against ULIC, the Universal Rightfield Property Holdings, Inc. and the Universal Leisure Corp., as well as their respective officers and directors, including their former Corporate Secretary, Atty. A. Bayani K. Tan, an incumbent Director and the Corporate Secretary of the Corporation. The Complaint was submitted for resolution in 2009 and was acted upon and dismissed by the City Prosecutor of Manila (OCP) only on March 18, 2013. Complainants belatedly filed motion for reconsideration for which reason, among others, the OCP denied motion on June 16, 2014. A Petition for Review dated March 31, 2014 was filed by the Complainant before the Department of Justice (DOJ). On August 7, 2014, Atty. Tan filed his Comment to the said

Petition. In a Resolution dated April 17, 2015, the Petition for Review was denied and the DOJ dismissed the complaint for Estafa.

Except as provided above, the Company is not aware of any of the following events wherein any of its directors, executive officers, nominees for election as director, executive officers, underwriter or control persons were involved during the past two (2) years up to the latest date.

- (a) any bankruptcy petition filed by or against any business of which any of the above persons was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (b) any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities or banking activities; and,
- (c) any finding by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self regulatory organization, that any of the above persons has violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

ITEM 10. COMPENSATION OF THE DIRECTORS AND OFFICERS

The directors and officers have not received any form of compensation from inception up to present other than per diem for each meeting attended and an annual per diem during stockholders' meeting. Their contributed efforts to the Fund are on voluntary basis only. Also, there are no other compensation plan, pension or retirement plan, contract or arrangement in which any director, nominee for election as a director, or executive officer of the Fund will participate. There are no outstanding warrants or options issued by the Fund.

NAME & PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION
Ignacio B. Gimenez <i>Director/Chairman/President</i>		
Violeta O. Luym <i>Director/Treasurer</i>		
A. Bayani K. Tan <i>Corporate Secretary</i>		
Gregorio U. Kilayko Bert C. Hontiveros Aurora L. Shih Ramon Y. Sy Leo M. Garcia <i>Directors</i>		
All directors as a group unnamed	2018	P-
	2017	P-

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS and MANAGEMENT

A. Security Ownership of More than 5%

The SEC approved request for confidential treatment. A separate disclosure was filed with the Commission.

B. Security Ownership of Management

The following is a tabular presentation of the shares beneficially owned by all the directors and executive officers of the Fund as of December 31, 2018.

Class	Name of Director	Citizenship	No. of Shares	Percentage
Common	Ignacio B. Gimenez	Filipino	1	0.0000%
Common	Violeta O. Luym	Filipino	3,811,890	0.1900%
Common	Gregorio U. Kilayko	Filipino	1	0.0000%
Common	Aurora L. Shih	Filipino	1	0.0000%
Common	Leo M. Garcia	Filipino	1	0.0000%
Common	Ramon Y. Sy	Filipino	61,171,550	3.0800%
Common	Dobbin A. Tan	Filipino	2	0.0000%
	Total		64,983,446	3.2700%

C. Voting Trust Holders of 5% or More

There is no party which holds any voting trust or any similar agreement for 5% or more of the Fund's voting securities.

D. Changes in Control

PDYF is not aware of any arrangement which may result in a change in control of the Fund. There has been no change in control of the Fund since the beginning of the last fiscal year.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTION

The Fund has an existing Agreement with PEMI, the Fund manager. Pursuant to the terms of the Management and Distribution Agreement, the Fund shall pay an annual management fee of a maximum of 1.50% of the average NAV of the Fund's assets. The NAV shall be determined in accordance with the procedures agreed upon by both parties. Also, the Fund shall remit to PEMI sales commission of a maximum of 5.00% of the gross investment based on tiered-front end sales schedule.

Related party transactions and balances with PEMI as of and for the year ended December 31, 2018, 2017 and 2016 are as follows:

	Management Fee	Sales Commission	Due to PEMI
2018	P44,934,756	P 99,843	P3,138,616
2017	P56,623,837	P 110,074	P3,663,123
2016	P68,706,506	P977,307	P4,744,001

Due to related parties includes amount payable to PEMI, fund manager, for management fees, sales load fees, exit fees, and other expenses. This is included as part of "Accrued expenses and other liabilities" account in the statements of financial position.

The Fund has no key management personnel. The key management functions are being handled by PEMI.

PART IV – CORPORATE GOVERNANCE

ITEM 13. Compliance with the Manual of Corporate Governance

PDYF remains focused on insuring the adoption of systems and practices of good corporate governance in enhancing value for its shareholders.

The Fund is not aware of any non-compliance with its Manual of Corporate Governance, by any of its officers or employees.

PART V - EXHIBITS AND SCHEDULES

ITEM 14. Exhibits and Reports on SEC Form 17-C

1. Exhibits – See accompanying index to exhibits.

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

2. Reports on SEC Form 17 – C

- Filed on September 6, 2018.

Results of Annual Stockholder's Meeting held on September 1, 2018.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Taguig on _____.

PHILEQUITY DIVIDEND YIELD FUND, INC.

By:


IGNACIO B. GIMENEZ
 Chairman & President¹


VIOLETA O. LUYM
 Treasurer²


MARIBEL E. BERE
 Comptroller / Principal
 Accounting Officer

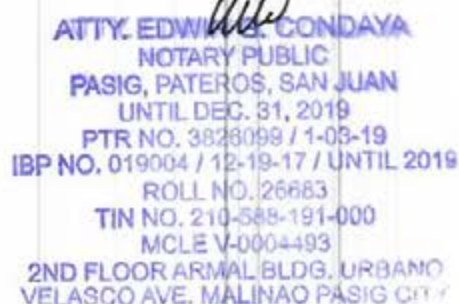

ATTY. ANN MARGARET K. LORENZO
 Asst. Corporate Secretary

Name	CTC No.	Date of Issue	Place of Issue
Ignacio B. Gimenez	14979122	01-04-19	MANILA
Violeta O. Luym	20444548	02-23-19	QUEZON CITY
Maribel E. Bere	29715766	January 17, 2019	Taguig City
Ann Margaret K. Lorenzo	15405570	January 16, 2019	Manila

¹ equivalent to Principal Executive Officer / Principal Operating Officer

² equivalent to Principal Financial Officer

SUBSCRIBE AND SWORN TO BEFORE ME THIS
 AT PASIG CITY APR 08 2019 BY THE
 ABOVE AFFIANT/S.
 DOC. NO. 30
 PAGE NO. 7
 BOOK NO. LVII
 SERIES OF 19


ATTY. EDWINA E. CONDAYA
 NOTARY PUBLIC
 PASIG, PATEROS, SAN JUAN
 UNTIL DEC. 31, 2019
 PTR NO. 3828099 / 1-03-19
 IBP NO. 019004 / 12-19-17 / UNTIL 2019
 ROLL NO. 26683
 TIN NO. 210-585-191-000
 MCLE V-0004493
 2ND FLOOR ARMAL BLDG. URBANO
 VELASCO AVE. MALINAO PASIG CITY

PHILEQUITY DIVIDEND YIELD FUND, INC.
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FORM 17 – A, Item 7

Page

No.

Financial Statements

Statement of Management's Responsibility for Financial Statements
 Report of Independent Public Accountant
 Balance Sheets as of December 31, 2016 and 2015
 Statements of Income and Retained Earnings for the
 Years Ended December 31, 2016, 2015 and 2014
 Statements of Cash Flows for the Years Ended
 December 31, 2016, 2015 and 2014
 Notes to Financial Statements

Supplementary Schedules

Report of Independent Public Accountants on Supplementary Schedules

Part 1

- I Schedule of Retained Earnings Available for Dividend Declaration
 (Part 1 4C, Annex 68-C)
- II Financial Soundness Indicators *(Part 1 4D)*
- III Other Ratios Required for Mutual Funds
- IV List of Effective Philippine Financial Reporting Standards and Interpretations
 (Part 1 4J)

Part 2

- A Financial Assets *(Part II 6D, Annex 68-E, A)*
- B Amounts Receivable from Directors, Officers, Employees, Related Parties and
 Principal Stockholders (Other than Affiliates)
 (Part II 6D, Annex 68-E, B)
- C Amounts Receivable from Related Parties which are eliminated during the
 consolidation of financial statements *(Part II 6D, Annex 68-E, C)*
- D Intangible Assets - Other Assets *(Part II 6D, Annex 68-E, D)*
- E Long-Term Debt *(Part II 6D, Annex 68-E, E)*
- F Indebtedness to Related Parties (included in the consolidated statement of financial
 position) *(Part II 6D, Annex 68-E, F)*
- G Guarantees of Securities of Other Issuers *(Part II 6D, Annex 68-E, G)*
- H Capital Stock *(Part II 6D, Annex 68-E, H)*

These schedules, which are required by Part IV (a) of RSA Rule 48, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or the notes to consolidated financial statements.

INDEX TO EXHIBITS

Form 17-A

<u>No.</u>		<u>Page</u>
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	*
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	*
(8)	Voting Trust Agreement	*
(9)	Material Contracts	*
(10)	Annual Report to Security Holders, Form 17-Q or Quarterly Report to Security Holders	*
(13)	Letter re: Change in Certifying Accountant	*
(16)	Report Furnished to Security Holders	*
(18)	Subsidiaries of the Registrant	*
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	*
(20)	Consent of Experts and Independent Counsel	*
(21)	Power of Attorney	*
(29)	Additional Exhibits	*

-
- These exhibits are either or not applicable to the Company or require no answer.

Philequity Dividend Yield Fund, Inc.
(An Open-End Mutual Fund Company)

Financial Statements
December 31, 2018 and 2017
and Years Ended December 31, 2018, 2017
and 2016

and

Independent Auditor's Report



oh. scand

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 2 1 4 3 1 8

COMPANY NAME

P H I L E Q U I T Y D I V I D E N D Y I E L D F U N D
, I N C . (A n O p e n - E n d M u t u a l F u n
d C o m p a n y)

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

1 5 t h F l o o r , P h i l i p p i n e S t o c k E
x c h a n g e T o w e r , 2 8 t h S t . C o r n e r
5 t h A v e . , B o n i f a c i o G l o b a l C i
t y , T a g u i g C i t y , M e t r o M a n i l a

Form Type

A A F S

Department requiring the report

S E C

Secondary License Type, if Applicable

N / A

COMPANY INFORMATION

Company's Email Address

N/A

Company's Telephone Number

250-8738

Mobile Number

N/A

No. of Stockholders

3,808

Annual Meeting (Month / Day)

09/01

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Ms. Maribel Bere

Email Address

maribel.bere@vantage.ph

Telephone Number/s

250-8738

Mobile Number

0917-620-4040

CONTACT PERSON'S ADDRESS

15th Floor, Philippine Stock Exchange Tower, 28th St. Corner 5th Ave., Bonifacio Global City, Taguig City,
Metro Manila

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.
2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

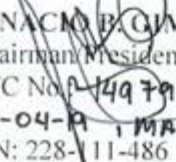
The management of **Philequity Dividend Yield Fund, Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such international control including the additional components attached therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error or fraud.

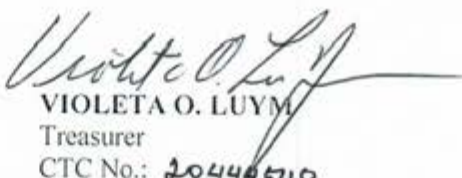
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

Sycip, Gorres, Velayo and Co., the independent auditors, appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.


IGNACIO B. GIMENEZ
Chairman/President
CTC No. 14979122
01-04-A, MARILA
TIN: 228-111-486


VIOLETA O. LUYM
Treasurer
CTC No.: 20444548
02-23-19, QUEZON CITY
TIN: 109-731-437


Signed this 14 day of MAR, 2019.

SUBSCRIBED AND SWORN to me before this
exhibiting to me their Community Tax Certificates.

APR 08 2019

at Taguig City, affiants

Doc. No. 57
Page No. 12
Book No. LVII
Series of 2019


ATTY. EDWING S. CONDAYA
NOTARY PUBLIC
PASIG, PATEROS, SAN JUAN
UNTIL DEC. 31, 2019
PTR NO. 3826099 / 1-03-19
IBP NO. 019004 / 12-19-17 / UNTIL 2019
ROLL NO. 29683
TIN NO. 210-588-191-000
MCLE V-0004493
2ND FLOOR ARMAL BLDG. URBANO
VELASCO AVE. MALINAO PASIG CITY

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
Philequity Dividend Yield Fund, Inc.
15th Floor, Philippine Stock Exchange Tower,
28th St. Corner 5th Ave., Bonifacio Global City
Taguig City, Metro Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Philequity Dividend Yield Fund, Inc. (an open-end mutual fund company) (the Fund), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2018 and 2017, and its financial performance and its cash flows for the each three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

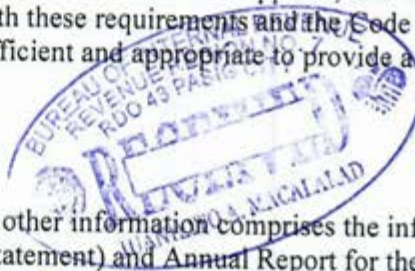
Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2018, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

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



12 APR 2019



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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



PHILEQUITY DIVIDEND YIELD FUND, INC.
(An Open-End Mutual Fund Company)
STATEMENTS OF FINANCIAL POSITION



December 31

	2018	2017
ASSETS		
Cash and cash equivalents (Note 6)	P310,869,817	P186,194,717
Financial assets at fair value through profit or loss (Note 7)	2,186,488,042	2,789,005,433
Loans and receivables (Note 8)	1,613,007	6,332,723
Prepaid expenses	—	10,500
	P2,498,970,866	P2,981,543,373
LIABILITIES AND EQUITY		
Liabilities		
Accrued expenses and other liabilities (Note 9)	P9,679,563	P22,788,013
Equity (Note 10)		
Capital stock	1,985,061,762	2,106,952,463
Additional paid-in capital	499,495,696	526,782,743
Retained earnings	4,733,845	325,020,154
	2,489,291,303	2,958,755,360
	P2,498,970,866	P2,981,543,373
Net Asset Value per Share (Note 10)	P1.2540	P1.4043

See accompanying Notes to Financial Statements.



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PHILEQUITY DIVIDEND YIELD FUND, INC.
(An Open-End Mutual Fund Company)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
INVESTMENT INCOME (LOSS)			
Trading and investment securities gains (losses) - net (Note 7)	(P292,222,978)	P663,016,920	(P21,522,760)
Dividend income (Note 7)	35,514,716	52,667,066	78,561,189
Interest income (Note 6)	3,491,974	1,995,037	3,807,673
	(253,216,288)	717,679,023	60,846,102
OPERATING EXPENSES			
Management fee (Note 12)	44,934,756	56,623,837	68,706,506
Taxes and licenses	9,620,630	13,449,902	14,949,077
Commission	4,051,284	8,480,559	14,247,389
Transaction costs (Note 7)	108,015	98,543	384,241
Professional fees	452,046	476,209	1,052,718
Others	351,068	110,440	517,605
	59,517,799	79,239,490	99,857,536
INCOME (LOSS) BEFORE INCOME TAX	(312,734,087)	638,439,533	(39,011,434)
PROVISION FOR FINAL TAX (Note 11)	698,395	399,007	761,535
TOTAL COMPREHENSIVE INCOME (LOSS)	(P313,432,482)	P638,040,526	(P39,772,969)
EARNINGS (LOSS) PER SHARE (Note 13)	(P0.1533)	P0.2518	(P0.0121)

* There are no other comprehensive income items for the period.

See accompanying Notes to Financial Statements.



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PHILEQUITY DIVIDEND YIELD FUND, INC.**(An Open-End Mutual Fund Company)****STATEMENTS OF CHANGES IN EQUITY**

	Number of Shares Outstanding (Note 10)	Capital Stock (Note 10)	Additional Paid-in Capital	Retained Earnings (Deficit)	Total Equity
Balance at January 1, 2018	2,106,952,463	₱2,106,952,463	₱526,782,743	₱325,020,154	₱2,958,755,360
Shares issued during the year	67,879,680	67,879,680	20,448,660	—	88,328,340
Shares redeemed during the year	(189,770,381)	(189,770,381)	(47,735,707)	(6,853,827)	(244,359,915)
Total comprehensive loss	—	—	—	(313,432,482)	(313,432,482)
Balance at December 31, 2018	1,985,061,762	₱1,985,061,762	₱499,495,696	₱4,733,845	₱2,489,291,303
Balance at January 1, 2017	3,098,137,454	₱3,098,137,454	₱751,550,587	(₱247,979,557)	₱3,601,708,484
Shares issued during the year	643,698,944	643,698,944	154,369,102	—	798,068,046
Shares redeemed during the year	(1,634,883,935)	(1,634,883,935)	(379,136,946)	(65,040,815)	(2,079,061,696)
Total comprehensive income	—	—	—	638,040,526	638,040,526
Balance at December 31, 2017	2,106,952,463	₱2,106,952,463	₱526,782,743	₱325,020,154	₱2,958,755,360
Balance at January 1, 2016	3,277,083,882	₱3,277,083,882	₱777,753,572	(₱212,289,095)	₱3,842,548,359
Shares issued during the year	272,394,184	272,394,184	60,332,074	—	332,726,258
Shares redeemed during the year	(451,340,612)	(451,340,612)	(86,535,059)	4,082,507	(533,793,164)
Total comprehensive loss	—	—	—	(39,772,969)	(39,772,969)
Balance at December 31, 2016	3,098,137,454	₱3,098,137,454	₱751,550,587	(₱247,979,557)	₱3,601,708,484

See accompanying Notes to Financial Statements.

PHILEQUITY DIVIDEND YIELD FUND, INC.
(An Open-End Mutual Fund Company)

STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	(P312,734,087)	P638,439,533	(P39,011,434)
Adjustment for net unrealized loss (gain) on changes in fair value of financial assets at fair value through profit or loss (Note 7)	408,267,522	(525,532,026)	15,855,785
Operating income (loss) before working capital changes	95,533,435	112,907,507	(23,155,649)
Decrease (increase) in:			
Financial assets at fair value through profit or loss	194,249,869	710,310,132	57,067,464
Loans and receivables	4,719,716	19,076,241	(19,309,279)
Other expenses	10,500	(10,000)	—
Increase (decrease) in accrued expenses and other liabilities	(13,108,450)	(35,380,725)	49,614,714
Net cash generated from operations	281,405,070	806,903,155	64,217,250
Income taxes paid	(698,395)	(399,007)	(761,535)
Net cash provided by operating activities	280,706,675	806,504,148	63,455,715
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of capital stock	88,328,340	798,068,046	332,726,258
Payments of redemption of capital stock	(244,359,915)	(2,079,061,696)	(533,793,164)
Net cash used in financing activities	(156,031,575)	(1,280,993,650)	(201,066,906)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	124,675,100	(474,489,502)	(137,611,191)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	186,194,717	660,684,219	798,295,410
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	P310,869,817	P186,194,717	P660,684,219
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS			
Interest received	P2,846,946	P2,026,933	P4,041,599
Dividend received	36,226,544	53,576,357	77,504,965

See accompanying Notes to Financial Statements.



PHILEQUITY DIVIDEND YIELD FUND, INC.

(An Open-End Mutual Fund Company)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Philequity Dividend Yield Fund, Inc. (the Fund) was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on August 2, 2012 under the Philippine Investment Company Act (ICA) (Republic Act 2629), as an open-end investment company. The corporate life of the Fund is 50 years from the date of incorporation. The Fund is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of equity securities.

Philequity Management, Inc. (PEMI) serves as the fund manager of the Fund.

On June 20, 2017, the Board of Directors (BOD) approved the amendment to Article 3 of Articles of Incorporation to change its principal address from 2004 East Tower PSE Centre, Ortigas Center, Pasig City, Metro Manila, Philippines to 15th Floor, Philippine Stock Exchange Tower, 28th St. Corner 5th Ave., Bonifacio Global City, Taguig City, Metro Manila, Philippines. The amended Articles of Incorporation was approved by the Securities and Exchange Commission (SEC) on March 12, 2018.

The accompanying financial statements of the Fund were approved and authorized for issue by the Board of Directors (BOD) on March 14, 2019.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Presentation of Financial Statements

The Fund presents its statement of financial position in order of liquidity. An analysis regarding recovery (asset) or settlement (liability) within 12 months from the reporting date (current) and beyond 12 months from the reporting date (noncurrent) is presented in Note 4. All of the Fund's assets and liabilities as of December 31, 2018 and 2017 are current.

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Fund has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of these pronouncements did not have significant impact on the Fund's financial position or performance, unless otherwise indicated.



- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
- PFRS 15, *Revenue from Contracts with Customers*
- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

The Fund has adopted PFRS 9 effective January 1, 2018 using the modified retrospective approach. The Fund has not restated comparative information, which continued to be reported under PAS 39.

(a) Classification and Measurement

Under PFRS 9, debt financial assets are classified and measured at FVTPL, amortized cost (AC) or fair value through other comprehensive income (FVTOCI). The classification is based on the Fund's business model for managing the financial assets and whether the financial instrument's contractual cash flows represent "solely payments of principal and interests" or "SPPI" on the principal amount outstanding.

The assessment of the Fund's business model was made as at January 1, 2018. The assessment of whether the instruments' contractual cash flows are SPPI was made based on the facts and circumstances as at the initial recognition of the financial assets.

The classification and measurement requirements of PFRS 9 did not have significant impact on the Fund's financial statements. Cash and cash equivalents and loans and receivables as at January 1, 2018 are held to collect contractual cash flows and give rise to cash flows that are SPPI. Accordingly, these financial assets are continued to be carried at amortized cost, and are classified as financial assets at AC starting January 1, 2018. Financial assets at FVPL as at January 1, 2018 are equity securities which are held for trading. Accordingly, these financial assets are continued to be carried at fair value through profit or loss.

The Fund's financial liabilities which include accrued expenses and other liabilities (excluding statutory liabilities) remained to be classified at amortized costs upon transition.

(b) Impairment

The adoption of PFRS 9 has fundamentally changed the Fund's measurement of impairment losses for its financial assets – from PAS 39's incurred loss approach to a forward-looking expected credit loss (ECL) approach. Under PFRS 9, the Fund is required to provide ECL for financial assets at AC and other debt instruments classified as financial assets at FVTOCI. The allowance is based on the ECLs associated with the risk of default in the next twelve months unless there has been a significant increase in credit risk (SICR) since origination or the financial assets are impaired where lifetime ECL is provided.



Upon the adoption of PFRS 9, the Fund assessed that its cash and cash equivalents and loans and receivables are considered low credit risk financial assets as of January 1, 2018. Accordingly, the Fund assessed that the impact of recognizing 12-month ECL for these financial assets is not significant.

Summary of Significant Accounting Policies

Cash and Cash Equivalents

This includes cash in banks and cash equivalents. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from date of acquisition and that are subject to an insignificant risk of changes in value.

Fair Value Measurement

The Fund measures financial instruments at fair value at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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



Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

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

Initial recognition of financial instruments

Financial instruments are initially recognized at fair value of the consideration given. The initial measurement of financial instruments includes transaction costs, except for financial instruments at financial assets at FVTPL.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Fund recognizes the difference between the transaction price and fair value (a 'Day 1 difference') in profit or loss in the statement of comprehensive income under 'Others' unless it qualifies for recognition as some other type of asset. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Fund determines the appropriate method of recognizing the 'Day 1' amount.

In December 31, 2018 and 2017, there were no 'Day 1' differences recognized in profit or loss in the statements of comprehensive income.

Classification and subsequent measurement of financial instruments (policy applicable beginning January 1, 2018)

Financial assets

For purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under PAS 32, *Financial Instruments: Presentation*), except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Fund's business model for managing financial assets. The Fund classifies its financial assets into the following categories: financial assets at FVTPL, financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets measured at AC.

Contractual cash flows characteristics

The Fund assesses whether the cash flows from the financial asset represent SPPI on the principal amount outstanding. Instruments with cash flows that do not represent as such are classified at FVTPL.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).



In making this assessment, the Fund determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Business model

The Fund determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Fund's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers, if any, of the business are compensated.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

As of December 31, 2018, the Fund has no financial assets at FVTOCI.

Financial assets at FVTPL

Debt financial assets that do not meet the amortized cost criteria, or that meet the criteria but the Fund has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss. Equity investments are classified as at FVTPL, unless the FVTPL designates an investment that is not held for trading as at FVTOCI at initial recognition. The Fund's financial assets at FVTPL include equity securities held for trading purposes and equity investments not designated as at FVTOCI.

A financial asset is held for trading if:

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

Financial assets at FVTPL are carried at fair value and gains and losses on these instruments are recognized as 'Trading and securities gain - net' in the statement of income. Interest earned on these investments is reported in the statement of income under 'Interest income' while dividend income is reported in the statement of income under 'Dividend income' when the right of payment has been established.



Quoted market prices, when available, are used to determine the fair value of these financial instruments. If a financial asset at FVTPL has a bid and ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value. If quoted market prices are not available, their fair values are estimated based on market observable inputs. For all other financial instruments not listed in an active market, fair value is determined by using appropriate valuation techniques.

Financial assets at amortized cost

A debt financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are integral part of the EIR. The amortization is included in 'Interest income' in the profit or loss and is calculated by applying the EIR to the gross carrying amount of the financial asset. The Fund's financial assets at amortized cost consist of 'Cash and Cash equivalents' and 'Accrued interest receivable' and 'Dividends receivable'.

Reclassifications of financial assets

The Fund reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Fund and any previously recognized gains, losses or interest shall not be restated.

Financial liabilities

Financial liabilities are classified as financial liabilities at FVTPL and other financial liabilities. The classification of financial liabilities at initial recognition depends on the purpose for which the financial liabilities are incurred and their characteristics.

As of December 31, 2018, the Fund has no financial liabilities at FVTPL.

Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL at the inception of the liability. Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This category includes 'Accrued expenses and other liabilities'.

Classification and subsequent measurement of financial instruments (policy applicable prior to January 1, 2018)

The Fund classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) investments, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities carried at amortized cost.



The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments at FVPL include financial assets and financial liabilities that are:

- acquired and held for trading purposes;
- designated upon initial recognition as at FVPL; and
- stand-alone or bifurcated embedded derivative financial instruments not designated as effective hedging instruments.

Financial assets and financial liabilities are classified as held for trading if they are acquired for purposes of selling and repurchasing in the near term.

Financial assets and financial liabilities may be designated by management on initial recognition as at FVPL when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Subsequent changes in fair value are recognized in 'Trading and investment securities gains (losses) - net' in profit or loss in the statement of comprehensive income. Interest earned or incurred is recorded in 'Interest income' or 'Interest expense' in the profit or loss in the statement of comprehensive income, respectively, while dividend income is recorded in 'Dividend income' in the profit or loss in the statement of comprehensive income when the right to receive payment has been established.

The Fund's financial assets at FVPL consist of investments in equity securities listed in the PSE as of December 31, 2017.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as 'AFS investments' or 'Financial assets designated at FVPL'.

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



As of December 31, 2017, loans and receivables consist of ‘Cash and cash equivalents’, ‘Due from broker’, ‘Dividends receivable’ and ‘Accrued interest receivable.’

Other financial liabilities

Issued financial instruments or their components, which are not designated at FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Fund having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Other financial liabilities include liabilities arising from operations which consist of accrued expenses and other liabilities excluding payable to the government and its related agencies.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if and only if, there is a legally enforceable right to offset the recognized amounts and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statement of financial position.

As of December 31, 2018 and 2017, the Fund does not have financial instruments that can be offset under enforceable netting agreements or similar agreements.

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

Where the Fund has transferred its rights to receive cash flows from an asset or has entered into a “pass-through arrangement”, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Fund’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.



Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss in the statement of comprehensive income.

Impairment of Financial Assets (policy applicable beginning January 1, 2018)

Expected credit loss

PFRS 9 requires the Fund to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts. ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of the financial asset.

Definition of default

Generally, the Fund defines a financial asset as in default for purposes of calculating ECL when the contractual payments are past due for more than 90 days. As part of the qualitative assessment, the Fund also considers a variety of instances that may indicate unlikelihood to pay to determine if a counterparty has defaulted.

SICR

To determine whether there has been a significant increase in credit risk in the financial assets, the Fund compares credit risk at initial reporting date against credit risk as at the reporting date. The Fund uses judgment combined with relevant reasonable and supportable historical and forward-looking information which are available without undue cost and effort in calculating ECL. The Fund assumes that instruments with an external rating of "investment grade" from published data providers or other reputable agencies and maturities of less than 1 year at reporting date are low credit risk financial instruments and accordingly, does not have SICR since initial recognition.

For treasury exposures, a downgrade of two notches for investment grade and one notch for non-investment grade security indicates SICR since origination. The Fund also presumes a SICR for receivables that are past due for 30 days. Consideration of events which caused the downgrade is relevant. Evaluation should also include historical and forward-looking information.

Assessment of ECL on a collective basis

The Fund evaluates impairment of financial assets individually for those that are individually significant and collectively for those that are not. The Fund groups the financial assets based on profile of customer and its payment terms and history for the collective impairment.

Staging assessment

A three-stage approach for impairment of financial assets is used, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.



For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired debt financial assets which have not experienced a SICR since initial recognition. The Fund recognizes a 12-month ECL for Stage 1 debt financial assets.
- Stage 2 is comprised of all non-impaired debt financial assets which have experienced a SICR since initial recognition. The Fund recognizes a lifetime ECL for Stage 2 debt financial assets.

For credit-impaired financial instruments:

Financial instruments are classified as Stage 3 when there is objective evidence of impairment.

Forward-looking information

The Fund incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic outputs such as Consumer Price Index (CPI), exchange rates, Gross Domestic Product (GDP) growth rates, imports and exports, Philippine Stock Exchange index (PSEi), stock prices and unemployment rates. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Write-off policy

The Fund writes off its financial assets when it has been established that all efforts to collect and/or recover the loss has been exhausted. This may include the other party being insolvent, deceased or the obligation being unenforceable.

Impairment of financial assets (policy applicable prior to January 1, 2018)

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

Loans and receivables

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the profit or loss in the statement of comprehensive income. Interest income continues to be recognized based on the original EIR of the asset. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

The Fund assesses whether objective evidence of impairment exists for financial assets that are individually significant. Because the Fund has only a few counterparties, collective assessment of financial assets is not necessary.



If, in 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 is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Share Issuance Costs

Share issuance costs such as sales load fee are deducted against 'Additional paid-in capital'. If 'Additional paid-in capital' is not sufficient to absorb the share issuance costs, any excess is charged against 'Retained earnings'.

Retained Earnings

The amounts in retained earnings include accumulated investment income from previous periods reduced by excess of redemption costs over the original issuance price of redeemed shares.

Net Asset Value (NAV) Per Share

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Fund assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

Trading and investment securities gains (losses) - net

Trading and investment securities gains (losses) - net represents gains (losses) from trading activities and changes in fair values of financial instruments at FVTPL. Revenue is recognized on trade date upon receipt of confirmation of sale of investments from counterparties.

Dividend income

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

Interest income

Interest income is recognized in profit or loss for all instruments measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.



Expense Recognition

Expenses are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Income Taxes

Current tax

Current tax liabilities for the current and prior periods are measured at the amounts expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax

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

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

Deferred tax assets, however, are not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in profit or loss or other comprehensive income.

Value Added Tax (VAT)

The Fund is not subject to VAT on its sales of goods and/or services. The amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Capital Stock and Redeemable Shares

A puttable financial instrument is classified as an equity instrument if it has all of the following features:

- It entitles the holder to a pro-rata share of the Fund's net assets in the event of the Fund's liquidation;
- The instrument is in the class of instruments that is subordinate to all other classes of instruments;



- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- The instrument does not include any contractual obligation to deliver cash or another financial asset other than the holder's right to a pro-rata share of the Fund's net assets; and
- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

In addition to the instrument having all the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows 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 Fund; and
- The effect of substantially restricting or fixing the residual return to the puttable instrument holders.

The Fund continuously assesses the classification of the redeemable shares. If the redeemable shares cease to have all the features or meet all the conditions set out above, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognized in equity. If the redeemable shares subsequently have all the features and meet the conditions set out above, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and resale of redeemable shares are accounted for as equity transactions. Upon sale of shares, the consideration received is included in equity. Redemptions are recorded as charges against equity.

Earnings (Loss) Per Share

Earnings (loss) per share (EPS) is computed by dividing net income (loss) of the Fund by the weighted average number of common shares issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

The weighted average number of common shares used in the calculation of earnings (loss) per share is determined on the basis of the weighted average number of shares of the Fund outstanding during the period.

Provisions

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.



Where the Fund expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain that the expense relating to any provision is presented in the profit or loss in the statement of comprehensive income, net of any reimbursement.

Contingent Liabilities and Contingent Assets

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

Events after the Reporting Date

Any post year-end events that provide additional information about the Fund's financial position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements, when material.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
Under PFRS 9, a debt instrument can be measured at AC or at FVTOCI, provided that the contractual cash flows are SPPI and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.
- PFRS 16, *Leases*
PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.



PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:
 - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
 - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Fund.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Fund does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.



The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

This interpretation is not relevant to the Fund because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.

- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Fund but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Fund because dividends declared by the Fund do not give rise to tax obligations under the current tax laws.



- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Fund's current practice is in line with these amendments, the Fund does not expect any effect on its financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Fund.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.



The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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

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

3. Significant Accounting Judgment

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

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

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

Judgment

a. Classification of shares as equity or liability

The Fund continuously assesses whether all of the conditions indicated in its accounting policy on Capital Stock and Redeemable Shares (Note 2) are met by the redeemable shares it issues to retain the classification of the shares as equity instruments.

In applying its judgment, management considers the rights and claims of each shareholders embedded on shares issued, the type and features of issued shares including the terms of any contractual obligation, and the basis for the cash flows attributable to the entirety of the term of the shares.



Estimates

a. Credit losses on financial assets

The Fund reviews its debt financial assets subject to ECL annually with updating provisions as necessary. The measurement of credit losses requires judgment, in particular, the estimation of amount and timing of future cash flows and collateral values when determining the credit losses and the assessment of SICR. Elements of the model used to calculate ECL that are considered accounting estimates and judgments, include among others:

- Segmentation of financial assets to determine appropriate ECL model and approach
- Criteria for assessing whether there has been SICR in the debt financial assets and so allowances be measured on a lifetime ECL basis and the qualitative assessment
- Segmentation of financial assets when ECL is calculated on a collective basis
- Development of ECL models, including formula and various inputs
- Selection of forward-looking macroeconomic variables and scenarios

4. Financial Risk Management Objectives and Policies

The Fund's principal financial instruments comprise cash and cash equivalents and financial assets at FVTPL. The main purpose of these financial instruments is to seek long-term capital appreciation through investments in equity securities of listed Philippine companies while taking into consideration the liquidity and safety of its investments to protect the interest of its investors. The Fund also has various other financial assets and liabilities such as loans and receivables and accrued expenses and other liabilities, which arise directly from its operations.

Governance Framework

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

The policies define the Fund's identification of risk and its interpretation, setting of limits structure to ensure the appropriate quality and diversification of assets, and specification of reporting requirements.

Regulatory Framework

The operations of the Fund are subject to the regulatory requirements of the SEC and are governed by the provision in its prospectus that incorporated relevant investment rules and regulations such as the ICA and the Anti-Money Laundering Law.

The Fund's investment activities are guided by the following limitations/restrictions:

- The Fund as ordered by the SEC, unless otherwise permitted, may not engage in margin purchase of securities, commodity futures contract, precious metals, unlimited liability investments, short selling of currencies, short selling of investments, and other investments as the SEC shall, from time to time prescribe.



- The Fund shall not incur any further debt or borrowings unless at the time of its incurrence or immediately thereafter, there is a net asset coverage of at least 300.00% for all its borrowings, or such net asset coverage as the Philippine laws and regulations may prescribe. In the event that such asset coverage shall fall below 300.00%, the Fund shall within three days thereafter or such period as the applicable Philippine laws and regulations may require, reduce the amount of borrowings to an extent that the net asset coverage shall be at least 300.00% or the coverage required by law.
- Unless permitted by applicable Philippine laws, rules or regulations, the Fund shall not participate in an underwriting or selling group in connection with the public distribution of securities, except its own capital stock.
- The maximum investment in any single enterprise shall not exceed an amount equivalent to 15.00% of the Fund's NAV, and in no case shall the total investment of the Fund exceed 10.00% of the outstanding securities of any one investee company.
- The Fund shall not invest in real estate properties and developments.
- The Fund shall not invest in any company for the purposes of exercising control or management.
- The Fund shall not issue or sell senior securities of which it is the issuer.
- The Fund shall not extend loans to individuals. Loans or credit extensions to corporations shall be limited to commercial papers and bonds registered with the SEC, or subject of a grant of exemption there from, and which have been preapproved by the BOD.
- The Fund shall not invest in the securities of other investment companies.
- The Fund shall not purchase from or sell to any of its officers or directors, or to any of the officers or directors of its investment adviser/s, manager or distributor/s or firm/s of which any of them are members, any security other than the capital stock of the Fund.
- The total operational expenses of the Fund shall not exceed 10.00% of its total investment fund; total net worth or total NAV as shown in the previous years' audited financial statements, or such other limitations as may be prescribed by the applicable Philippine laws or regulations.
- The Fund shall not change its investment objectives without prior approval of the majority of its stockholders.

Risk Management Policies

The Fund is exposed to financial risk through its financial assets and liabilities. The most significant components of this financial risk are credit risk, liquidity risk and market risk. The BOD reviews and approves policies for managing the aforementioned risks and are summarized below:

Credit risk

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

Maximum exposure to credit risk

The Fund's maximum exposure to credit risk is limited to the carrying value of its financial assets as of reporting date. The Fund does not hold any collateral or other credit enhancements that will mitigate credit risk exposure.

Credit quality per class of financial assets

As of December 31, 2018 and 2017, the financial assets are viewed by management as high grade and there are no past due or impaired financial assets as of reporting date. The Fund only invests in high grade financial assets.



The Fund rates its financial assets based on internal and external credit rating system. The credit quality of treasury exposures is generally monitored through the external ratings of eligible external credit assessment rating institutions.

Credit Quality	External Rating				
Investment Grade (High grade)	Aaa	Aa	A	Baa	Ba
Non-Investment Grade (Standard grade)	Ba	B	Caa	Ca	C
Impaired (Substandard grade)	D				

High grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in local banks belonging to the top twenty banks in terms of resources and profitability. High grade accounts are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.

Liquidity risk

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

The Fund is exposed to daily cash redemptions of redeemable participating shares. The Fund is exposed to the risk of being unable to meet its payment obligations to redeeming shareholders.

It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

To limit this risk, the Fund strictly complies with ICA Rule 35-1, As Amended (2013), which requires all Investment Companies/Mutual Funds to invest at least 10.00% of its net assets in liquid/semi-liquid assets. This Rule defines such assets as (a) Treasury notes or bills, certificates of indebtedness issued by the Bangko Sentral ng Pilipinas (BSP) which are short-term and other government securities; and (b) savings or time deposits with government or commercial banks in the name of the Fund.

As of December 31, 2018 and 2017, the Fund's investments in liquid/semi-liquid assets in relation to total net assets is 12.49% and 6.29%, respectively.

The following table sets out the different investments as of December 31, 2018 and 2017 and their respective percentages to the total net assets of the Fund:

	2018	2017
Financial assets at FVPL - quoted equity securities	87.84%	94.26%
Cash and cash equivalents	12.49%	6.29%
Total investments	100.32%	100.55%



The table below analyzes financial assets and liabilities and redeemable shares of the Fund into their relevant maturity groups based on remaining contractual undiscounted cash flows as of December 31, 2018 and 2017:

	2018						
	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial Assets							
Cash and cash equivalents	₱2,769,817	₱309,140,354	₱—	₱—	₱—	₱—	₱311,937,171
Financial assets at FVPL							
Quoted equity securities	—	2,186,488,042	—	—	—	—	2,186,488,042
Loans and receivables:							
Due from broker	—	—	—	—	—	—	—
Dividends receivable	—	960,395	—	—	—	—	960,395
	2,769,817	2,496,588,791	—	—	—	—	2,499,358,608
Financial Liabilities							
Accrued expenses and other liabilities*	—	8,644,392	—	—	—	—	8,644,392
Redeemable Shares	2,489,291,303	—	—	—	—	—	2,489,291,303
Net Asset (Liability)	(₱2,486,521,486)	₱2,487,944,399	₱—	₱—	₱—	₱—	₱1,422,913

*Excludes government-related payables

	2017						
	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial Assets							
Cash and cash equivalents	₱4,194,717	₱182,012,639	₱—	₱—	₱—	₱—	₱186,207,356
Financial assets at FVPL							
Quoted equity securities	—	2,789,005,433	—	—	—	—	2,789,005,433
Loans and receivables:							
Due from broker	—	4,652,916	—	—	—	—	4,652,916
Dividends receivable	—	1,672,223	—	—	—	—	1,672,223
	4,194,717	2,977,343,211	—	—	—	—	2,981,537,928
Financial Liabilities							
Accrued expenses and other liabilities	—	21,583,175	—	—	—	—	21,583,175
Redeemable Shares	2,958,755,360	—	—	—	—	—	2,958,755,360
Net Asset (Liability)	(₱2,954,560,643)	₱2,955,760,036	₱—	₱—	₱—	₱—	₱1,199,393

*Excludes government-related payables

As of December 31, 2018 and 2017, all financial liabilities and redeemable shares of the Fund subject to liquidity risk are contractually payable at their face amounts. The Fund considers its cash equivalents, financial assets at FVTPL and loans and receivables as liquidity risk management tools. These financial instruments may be liquidated or sold by the Fund anytime the need for immediate funding arises.

As of December 31, 2018 and 2017, all financial assets and liabilities are due to be realized and settled within one year from reporting date.

Market risk

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

The Fund is exposed to the risk that the value of the Fund's financial assets will be adversely affected by the fluctuations in the price level or volatility of one or more of the said assets. The two main components of the risks recognized by the Fund are systematic risk and unsystematic risk.



Systematic risk is the variability in price caused by factors that affect all securities across all markets (e.g. significant economic or political events). Unsystematic risk on the other hand, is the variability in price caused by factors which are specific to the particular issuer (corporation) of the shares of stock. Through proper portfolio diversification, this risk can be minimized as losses on one particular stock may be offset by gains in another.

The effectiveness of the diversification of the portfolio may be evaluated by comparing the volatility of the portfolio versus the volatility of the PSEi, the benchmark portfolio for the Fund.

The table below shows the comparison of the volatility of the investment portfolio as of December 31, 2018 and 2017 measured by the Fund's annualized daily standard deviation and volatility of the PSEi.

Volatility of investment portfolio	2018	2017
The Fund	16.29%	12.45%
PSEi	16.19%	15.04%

To further mitigate these risks, the Fund ensures that the investment portfolio is adequately diversified taking into consideration the size of the portfolio.

a. Foreign currency risk

As of December 31, 2018 and 2017, the Fund does not have foreign currency denominated financial instruments.

b. Equity price risk

The Fund's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally of quoted equity securities held for trading.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Fund's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan and limits on investments.

The table below demonstrates how the change in the investment portfolio affects income before income tax with a reasonably possible change in the PSEi for the years ended December 31, 2018 and 2017 with all other variables held constant. There is no other impact on the Fund's equity account other than those already affecting the profit or loss in the statements of comprehensive income:

	Percentage change in the PSE index	
2018	+15.543%	-15.543%
Effect on income before income tax	₱342,111,237	(₱342,111,237)

	Percentage change in the PSE index	
2017	+3.858%	-3.858%
Effect on income before income tax	₱106,733,965	(₱106,733,965)



Concentration of equity price risk

The following table analyzes concentration of price risk in the Fund's equity portfolio classified as financial assets at FVTPL by industrial distribution:

	2018	2017
Holding firms	₱702,447,404	₱846,361,588
Property	525,021,577	534,733,455
Banks	413,646,516	597,881,748
Food, beverage and tobacco	154,783,279	131,367,931
Electricity, energy, power & water	139,046,962	271,853,622
Telecommunications	129,451,775	134,211,940
Transportation services	71,937,000	137,057,365
Retail	24,141,850	44,414,300
Mining	12,388,914	20,044,224
Casinos and gaming	9,055,490	21,542,600
Construction, infrastructure and allied services	4,567,275	49,536,660
	₱2,186,488,042	₱2,789,005,433

The Fund focuses on industries and enterprises with strong growth potentials and or profitable historical financial performance. There may be concentration on certain industries at various points in time, depending on the overall condition of the financial and capital markets.

The effectiveness of the diversification of the portfolio may be evaluated by comparing the volatility of the portfolio versus the volatility of the PSEi, the benchmark portfolio for the Fund.

c. Interest rate risk

The Fund's exposure to market risk for changes in interest rates relates primarily to the Fund's cash and cash equivalents.

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

d. Market/price risk

The potential for an investor to experience losses due to changes in the market prices of investments.

5. Fair Value of Financial Instruments

The methods and assumptions used by the Fund in estimating the fair values:

Cash and cash equivalents and loans and receivables

The carrying amounts approximate the fair values due to the short-term maturity of these instruments.

Financial assets at FVTPL

Fair values of listed equity securities are based on quoted prices

Accrued expenses and other liabilities

The carrying amounts approximate fair values considering that these are either due and demandable or are payable in less than one month.



The following table sets forth the carrying values and fair values of financial assets and liabilities recognized as of December 31, 2018 and 2017:

2018					
	Carrying Value	Fair value measurement using			Total Fair Value
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets measured at fair value:					
Financial assets at FVPL	₱2,186,488,042	₱2,186,488,042	₱—	₱—	₱2,186,488,042
2017					
	Carrying Value	Fair value measurement using			Total Fair Value
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets measured at fair value:					
Financial assets at FVPL	₱2,789,005,433	₱2,789,005,433	₱—	₱—	₱2,789,005,433

In 2018 and 2017, there were no transfers among the three levels in the fair value hierarchy.

As of December 31, 2018 and 2017, there were no fair value measurements with significant unobservable inputs to valuation categorized within Level 3 of the fair value hierarchy.

6. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash in banks	₱2,769,817	₱4,194,717
Cash equivalents	308,100,000	182,000,000
	₱310,869,817	₱186,194,717

Cash in banks earns annual interest at the prevailing bank deposit rates. Cash equivalents pertain to short-term placements made for varying periods of up to three months depending on the immediate cash requirements of the Fund, and earn interest at the prevailing short-term deposit rates.

The Fund earns annual interest rates ranging from 0.63% to 6.75% in 2018, 0.50% to 0.63% in 2017 and 0.25% to 1.88% in 2016.

Interest income earned on cash and cash equivalents amounted to ₱3.49 million, ₱2.00 million and ₱3.81 million in 2018, 2017 and 2016, respectively.

Accrued interest receivable on cash and cash equivalents amounted to ₱0.65 million and ₱0.01 million as of December 31, 2018 and 2017, respectively (see Note 8).



7. Financial Assets at Fair Value through Profit or Loss

Financial assets at FVTPL consist of held-for-trading investments in shares of stocks listed in the PSE.

Rollforward of financial assets at FVTPL follow:

	2018	2017
Balance at beginning of year	₱2,789,005,433	₱2,973,783,539
Acquisitions	579,221,725	1,090,226,192
Disposals	(1,066,739,833)	(1,800,536,324)
Changes in fair values	(113,999,283)	525,532,026
Balance at end of year	₱2,186,488,042	₱2,789,005,433

Trading and investment securities gains (losses) - net consists of:

	2018	2017	2016
Net realized gain (loss) on sale	₱116,044,544	₱137,484,894	(₱5,666,975)
Changes in fair values	(408,267,522)	525,532,026	(15,855,785)
	(₱292,222,978)	₱663,016,920	(₱21,522,760)

Transaction costs incurred on investment in equities transactions include Securities Clearing Corporation of the Philippines fee (SCCP) amounting to ₱0.11 million in 2018, ₱0.10 million in 2017 and ₱0.38 million in 2016.

In 2018, 2017 and 2016, the Fund earned dividend income from these securities amounting to ₱35.51 million, ₱52.67 million and ₱78.56 million, respectively. Dividends receivable amounted to ₱0.96 million and ₱1.67 million as of December 31, 2018 and 2017, respectively (see Note 8).

8. Loans and Receivables

This account consists of:

	2018	2017
Dividends receivable (Note 7)	₱960,395	1,672,223
Accrued interest receivable (Note 6)	652,612	7,584
Due from broker	–	₱4,652,916
	₱1,613,007	₱6,332,723

Due from broker pertains to receivables from proceeds of equity securities sold but not yet settled as of reporting date.



9. Accrued Expenses and Other Liabilities

This account consists of:

	2018	2017
Financial liabilities:		
Due to broker	₱5,189,305	₱—
Due to PEMI (Note 12)	3,138,617	3,663,124
Accrued expenses	218,386	119,812
Accounts payable	97,924	17,800,239
Due to banks	160	—
	8,644,392	21,583,175
Nonfinancial liabilities:		
Withholding tax payable	968,925	1,173,786
Documentary stamp tax payable	66,246	31,052
	1,035,171	1,204,838
	₱9,679,563	₱22,788,013

Accounts payable includes payable to shareholders for unpaid redemption proceeds and subscriptions without confirmation from investors. Subscription is confirmed once the required subscription documents are submitted. Once confirmed, these subscriptions are reclassified to equity.

10. Equity

Capital Stock

The Fund's capital stock consists of:

	2018		2017		2016	
	Shares	Amount	Shares	Amount	Shares	Amount
Common - ₱1.00 par value						
Authorized	10,000,000,000	₱10,000,000,000	10,000,000,000	₱10,000,000,000	10,000,000,000	₱10,000,000,000
Issued	1,985,061,762	1,985,061,762	2,106,952,463	2,106,952,463	3,098,137,454	3,098,137,454

The summarized information on the Fund's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Authorized Shares
February 7, 2014	500,000,000
October 17, 2014	1,000,000,000
December 19, 2014	8,500,000,000

As of December 31, 2018 and 2017, the total number of shareholders of the Fund is 3,808 and 3,717, respectively.

NAV per Share

As an open-end mutual fund company, the Fund stands ready at any time to redeem the outstanding capital stock at NAV per share.

The shares are entitled to payment of a proportionate share of the Fund's NAV on the redemption date or upon winding up of the Fund. The Fund's issued and outstanding shares are redeemed at their NAV calculated in accordance with redemption requirements.



Issuance, repurchase and resale of redeemable shares is based on the prevailing NAV per share at the date of the transaction. The total expected cash outflow on redemption of all the shares equals the Fund's equity. For the purpose of calculating the NAV per share attributable to holders of redeemable shares, the Fund's listed equity securities held for trading are valued on the basis of closing prices.

	2018	2017
NAV attributable to holders of redeemable shares (a)	₱2,489,291,303	₱2,958,755,360
Number of shares outstanding (b)	1,985,061,762	2,106,952,463
NAV per share (a/b)	₱1.2540	₱1.4043

Capital Management

The Fund's investment objective is to seek long-term capital appreciation and to generate regular income through investment primarily in companies listed on the PSE that pay out dividends, while taking into consideration the liquidity and safety of its investments to protect the interest of its investors.

The Fund's capital, consisting entirely of common shares, depends on the volume of subscriptions and redemptions made by its various shareholders. As a mutual fund, the Fund stands ready to redeem shares from shareholders at any time upon the request of the latter at the prevailing NAV per share. The investment restrictions are discussed in Note 4.

As of December 31, 2018 and 2017, the Fund does not have any long-term outstanding debt in its statements of financial position. Any liabilities reflected therein are short-term in nature and generally reflect amounts that are due for settlement with its counterparties or its investors within the standard settlement periods prescribed for each transaction:

- a) Equity securities purchases: three days after date of transaction; and
- b) Redemptions from shareholders: maximum of seven days after date of transaction as prescribed by the ICA Rule 35-1, As Amended (2013).

There are no changes made in the objectives and policies during the years ended December 31, 2018 and 2017.

Minimum Capital Requirement

As an investment company registered with the SEC, the Fund must continually comply with the minimum subscribed and paid-up capital of ₱50.00 million as required under Section 12 *Structure and Capitalization of Investment Companies* of the ICA. As of December 31, 2018 and 2017, the Fund has complied with this externally imposed capital requirement.

Retained Earnings

Under the Corporation Code of the Philippines (the Code), a stock corporation is prohibited from retaining surplus profits in excess of 100.00% of its paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the BOD; or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies. As of December 31, 2018 and 2017, the Fund is in compliance with this requirement. There is no retained surplus profits in excess of 100.00% of paid-in capital stock.

Paid-in capital stock is the amount of outstanding capital stock and paid-in capital or premium over the par value of shares.



11. Income Taxes

Provision for income tax of the Fund pertains to 20% final taxes paid on interest income from cash and cash equivalents.

The Fund did not recognize deferred tax assets on the carry forward benefit of NOLCO amounting to ₱62.97 million and ₱71.30 million as of December 31, 2018 and 2017, respectively. The Fund believes that it will not be able to utilize its NOLCO before its expiration.

As of December 31, 2018, the NOLCO that can be claimed as deduction against regular taxable income, with their corresponding expiry dates are as follows:

Year Incurred	Amount	Expired	Balance	Expiry Year
2015	₱80,896,227	₱80,896,227	₱—	2018
2016	87,217,746	—	87,217,746	2019
2017	69,549,075	—	69,549,075	2020
2018	53,117,360	—	53,117,360	2021
	₱290,780,408	₱80,896,227	₱209,884,181	

The reconciliation between the Fund's provisions for income tax computed at the statutory income tax rate to provision for income tax as shown in the statements of comprehensive income is summarized as follows:

	2018	2017	2016
Income tax computed at statutory income tax rate	(₱93,820,226)	₱191,531,860	(₱11,703,430)
Income tax effects of:			
Non-taxable income/Non-deductible loss	87,666,893	(198,905,076)	6,456,828
Changes in unrecognized deferred tax assets	15,935,208	20,864,723	26,165,324
Tax-exempt income	(10,654,415)	(15,800,120)	(23,568,357)
Non-deductible expenses	1,920,132	2,907,124	3,791,937
Tax-paid income	(349,197)	(199,504)	(380,767)
Provision for income tax	₱698,395	₱399,007	₱761,535

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

12. Related Party Disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Fund; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Fund that gives them significant influence over the Fund and close members of the family of any such individual. Transactions are based on terms agreed by the related parties. Other related parties include PEMI and other funds being managed by PEMI.



The Fund has a Management and Distribution Agreement (the Agreement) with PEMI, the fund manager. As the fund manager of the Fund, PEMI is entitled to the following:

- a. The Fund shall pay an annual management fee of a maximum of 1.50% of the average NAV of the Fund. The NAV shall be determined in accordance with the procedures agreed upon by both parties. The Agreement shall remain in effect from year to year, unless otherwise terminated or amended by the parties in accordance with specified terms and conditions.
- b. The Fund shall remit to PEMI for sales commission of a maximum of 3.50% of the gross investment based on tiered-front end sales schedule charged to shareholders. This is withheld and remitted by the Fund to PEMI. This is payable in the following month.

The Fund shall reimburse the expenses paid by PEMI on behalf of the Fund. The related expenses are ultimately due to third-parties.

Related party transactions and balances as of and for the years ended December 31, 2018, 2017 and 2016 follow:

2018			
	Amount/Volume	Outstanding Balance	Terms and conditions
PEMI			
Management fee for remittance (Note 9)	₱44,934,756	₱3,136,344	Due the following month, non-interest bearing and unsecured
Sales commission for remittance (Note 9)	99,843	2,273	Due the following month, non-interest bearing and unsecured
2017			
	Amount/Volume	Outstanding Balance	Terms and conditions
PEMI			
Management fee for remittance (Note 9)	₱56,623,837	₱3,650,001	Due the following month, non-interest bearing and unsecured
Sales commission for remittance (Note 9)	110,074	13,123	Due the following month, non-interest bearing and unsecured
2016			
	Amount/Volume	Outstanding Balance	Terms and conditions
PEMI			
Management fee for remittance (Note 9)	₱68,706,506	₱4,739,609	Due the following month, non-interest bearing and unsecured
Sales commission for remittance (Note 9)	977,307	4,393	Due the following month, non-interest bearing and unsecured

Due to PEMI is included under 'Accrued expenses and other liabilities' in the statements of financial position (Note 9).

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. When applicable, an impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.



Compensation of key management personnel

The Fund has no key management personnel. The key management functions are being handled by PEMI.

The table below shows the details of the number of shares held by the directors of the Fund as of December 31, 2018, 2017 and 2016:

	2018	2017	2016
Balance at January 1	69,947,016	73,769,062	73,769,062
Redemptions	(4,963,570)	(3,822,046)	—
Balance at December 31	64,983,446	69,947,016	73,769,062

13. Earnings (Loss) per Share

Earnings (loss) per share is calculated by dividing the net income (loss) for the year by the weighted average number of common shares outstanding during the year (adjusted for any stock dividends).

The following table reflects the net income (loss) and share data used in the earnings (loss) per share computations:

	2018	2017	2016
Net income (loss)	(P313,432,482)	P638,040,526	(P39,772,969)
Divided by weighted average number of common shares	2,044,182,420	2,533,755,684	3,277,800,713
	(P0.1533)	P0.2518	(P0.0121)

There were no potential dilutive common shares for the years ended December 31, 2018, 2017 and 2016.

14. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

Supplementary Information Required Under RR 15-2010

In addition to the final taxes paid, the Fund also reported and/or paid the following types of taxes during the year:

Value Added Tax (VAT)

The Fund is a non-VAT registered company engaged in the business of buying and selling of shares of stock listed and traded through local stock exchange, and paid the amount of P6.40 million as percentage tax pursuant to Section 127 of National Internal Revenue Code of 1997, As Amended and based on the gross selling price amounting to P1.07 billion.



Taxes and Licenses

In 2018, the Fund reported and/or paid the following taxes and licenses:

Sales tax	₱6,400,439
Municipal permits	2,517,722
Documentary stamp tax	678,984
Community tax certificate	10,500
License fee	8,585
BIR registration	500
Other taxes	3,900
	<hr/>
	₱9,620,630

Withholding Taxes

As of December 31, 2018, total remittances and balance of expanded withholding taxes amounted to ₱6,835,558 and ₱968,925, respectively.

Tax Assessments and Cases

In 2018, the Fund has no deficiency tax assessment, whether protested or not, nor tax cases under preliminary investigation, litigation and or prosecution in courts or bodies outside the Bureau of Internal Revenue (BIR).





108012019006709

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No. CS201214318

Company Name PHILEQUITY DIVIDEND YIELD FUND, INC.

Industry Classification Investment Company Operation

Company Type Stock Corporation

Document Information

Document ID 108012019006709

Document Type 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)

Document Code 17-Q

Period Covered June 30, 2019

No. of Days Late 0

Department CFD

Remarks

COVER SHEET

SEC Registration Number

C	S	2	0	1	2	1	4	3	1	8
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Company Name

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,		I	N	C	.		(A	n		O	p	e	n	-	E	n	d		I	n	v	e	s	t	m	e	n	t
	C	o	m	p	a	n	y)																					

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

1	5	T	H		F	L	R	.	P	H	I	L	L	I	P	P	I	N	E		S	T	O	C	K				
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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

N	A		
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COMPANY INFORMATION

Company's Email Address

Company's Telephone Number/s

Mobile Number

No. of Stockholders

Annual Meeting
Month/Day

Fiscal Year
Month/Day

CONTACT PERSON INFORMATION

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

Name of Contact Person

Email Address

Telephone Number/s

Mobile Number

Contact Person's Address

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

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

1. For the quarterly period ended **June 30, 2019**
2. SEC Identification Number **CS2012-14318**
3. BIR Tax Identification No. **008-342-256**
4. Exact name of registrant as specified in its charter.
PHILEQUITY DIVIDEND YIELD FUND, INC.
5. Province, Country or other jurisdiction of Incorporation or Organization:
Philippines
6.

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 (SEC Use Only)
Industry Classification Code

Address of Principal Office:

**15th floor, Philippine Stock Exchange Tower, 28th St. Corner 5th Ave.,
Bonifacio Global City, Taguig City, Metro Manila**

7. Registrant's telephone number, including area code: **(632)250-8700;**
8. Former name, former address, and former fiscal year, if changed since last report
Not applicable
9. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding as of June 30, 2019
Common Stock, P1.00 par value	2,033,986,321
10. Are any or all of these securities listed on the Philippine Stock Exchange.
Yes [] No [X]
11. Check whether the registrant:

a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 there under and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

Yes [X] No []

b) Has been subject to such filing requirements for the past 90 days.

Yes [X] No []

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The Comparative Financial Statements are filed as part of this Form 17-Q.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Financial Condition and Liquidity

The below table sets forth the comparative performance indicators of the Fund:

	June 30, 2019	December 31, 2018
Current Ratio	6622.22%	25816.98%
Debt-to-Equity Ratio	1.53%	0.39%
Asset-to-Equity Ratio	101.53%	100.39%
Return on Assets	6.58%	-1.45%
Return on Equity	6.65%	-1.46%

Financial Highlights

	June 30, 2019	Audited December 31, 2018	Increase/ (Decrease)	Percentage
Total Assets	2,763,535,394	2,498,970,866	264,564,528	10.59%
Total Liabilities	41,731,269	9,679,563	32,051,706	331.13%
Total Equity	2,721,804,126	2,489,291,303	232,512,823	9.34%

Operating Revenues and Expenses

	6/30/2019	6/30/2018	Increase/ Decrease	Percent
Investment Income (Loss)	207,050,542	(376,386,093)	583,436,635	-155.01%
Expenses	33,797,213	31,031,446	2,765,766	8.91%
Income	173,253,329	(407,417,539)	580,670,869	-142.52%

Investment income (loss) - For the period ended June 30, 2019, the Fund generated a total investment gain of PHP 207.05M from loss of PHP 376.39M of same period last year. Increase in total income is mainly due to increase in market value of equity securities.

Operating expense – Comparing this year and last year's operating expenses, there was an increase of 8.91% brought by higher management fee charged due to corresponding increase in assets under management. Taxes were also higher this year.

Comprehensive income (loss) – Because of increase in market value of the stock investments of the Fund, it incurred a gain of PHP 173.25M as of June 30, 2019 compared to loss of PHP407.41M of same period of last year.

Cash Flow

Cash and cash equivalents decreased by PHP49.37 M as of the period June 30, 2019 versus same period last year. Additional information may be obtained from the statements of cash flows in later page.

Causes for any Material Changes (+/-5% or more) in the Financial Statements

Income Statement Items – Quarter ended June 30, 2019 versus Quarter ended June 30, 2018

142.57% increase in net gain on financial assets through FVPL
Increase is due to increase in market value of equity securities

21.37% increase in dividend income

Significantly due to more dividend payout this year

522.13% increase in interest income

Significantly due to higher investment activity in money market

102.74% increase in commission

Mainly from proper reclassification of commission from buying and selling to commission expense

59.89% decrease in transaction cost

Mainly from proper reclassification of commission from buying to commission expense

45.99% increase in taxes and licenses

Largely attributable to increase in documentary stamp tax on capital stock issuance of the Fund and stock transfer tax

Balance Sheet Items – June 30, 2019 versus December 31, 2018

12.61% Increase in financial assets at FVPL

Increase is due to higher in market value of equity securities

100.14% increase in receivable

Significantly due to higher outstanding dividend receivable

331.13% increase in Accrued expenses and other liabilities

Significantly due to higher outstanding payable to shareholders for redemption

Changes in Net Assets

Below is a summary of fund's activity for the 1st quarter ended June 30, 2019

Total Amount from Sales and Redemption of Shares	
Total amount received for the quarter	222,713,854.49
Total amount of redemptions for the quarter	163,396,556.11
Shares Issued and Outstanding	
Beginning Balance - December 31, 2018	1,985,061,762
Shares sold during the quarter	172,511,617
Shares redeemed during the quarter	(123,587,058)
Ending Balance - June 30, 2019	2,033,986,321

Business Analysis

As of June 2019, the mutual fund industry shrank by 4.39% year on year and shrank by 2.19% from the previous quarter to P254 billion in net assets. Equity funds meanwhile grew 15.71% year on year and by 0.61% from the previous quarter to P115 billion. The Philequity Dividend Yield Fund's net assets stood at P2.72 billion, representing a 1.41% decrease from the previous quarter but a 8.97% increase from a year ago.

The decrease in net assets from the previous quarter was largely due to marked to market valuations and a net redemption in the fund amounting to P47 million this quarter. Given stagnant performance of the fund with the lack of fresh leads and a prolonged trade war which has affected the performance of the fund, we expect tempered sales for next quarter as investors remain on the sidelines. Short term, the Fund will take cues from the global dynamic, specifically the trade war. Locally, the Fund will monitor corporate earnings, inflation, BSP policies, the peso, the twin deficits and other economic data.

Top Five (5) Indicators

Philequity Dividend Yield Fund, Inc. monitors the following indicators which affect its profitability:

- (1) **Philippine Composite Index (Phisix)** - Phisix is the benchmark used to track the local stock market on an aggregate basis. On average, equity funds including PDYF, move in tandem with the Phisix.
- (2) **Gross National Product (GNP) and Gross Domestic Product (GDP)** - The GNP and GDP growth usually mirrors the economic cycle. A positive outlook on the economy is bullish for stocks and PDYF. A negative forecast on the other hand, is bearish for stocks and PDYF.
- (3) **Interest Rates** - A low interest rate environment, which is indicative of liquidity in the market, is healthy for stocks. A high interest rate level results in the reverse.
- (4) **Price to Earnings Ratio (P/E Ratio) of the Market** - The P/E Ratio and other valuation ratios are used to determine if companies are undervalued or not with respect to their earning power. A low P/E Ratio in a stock is usually a signal that the stock is worth buying for PDYF. Similarly, a low market P/E Ratio is a signal that it is worth increasing PDYF's equity allocation vis a vis its cash holdings.
- (5) **Foreign Buying and Selling Activity** - Foreign trading activity is tracked daily by the Philippine Stock Exchange. Consistent net buying by foreign players is positive for the broader market and for PDYF.

		2019	2018	
PHISIX	End of June	7,999.71	End of June	7,193.68
GNP growth	For 2Q	N/A	For 2Q	5.80%
GDP growth	For 2Q	N/A	For 2Q	6.00%
P/E Ratio	End of June	19.38X	End of June	18.37x
Foreign Buying and Selling (Net flow in billion PHP)	For 2Q	PhP 11.79 billion net foreign SELL	For 2Q	PhP 32.04 net foreign BUY

PART II – OTHER INFORMATION

PFRS 9 – Financial Instruments: Recognition and Measurement

The implementation of PFRS 9 in 2018 has no significant impact on the Funds balance sheet because it has been measuring its financial assets at fair value

PHILEQUITY DIVIDEND YIELD FUND, INC. OTHER RATIOS REQUIRED FOR MUTUAL FUNDS

		June 30, 2019	June 30, 2018
Percentage of Investment in a single enterprise to Net Asset Value:			
INVESTMENT IN SHARES:			
AC	Ayala Corp	5.901%	7.230%
AEV	Aboitiz Equity Ventures Inc	1.069%	0.797%
AGI	Alliance Global Group Inc	0.647%	0.233%
ALI	Ayala Land Inc	10.892%	7.463%
AP	Aboitiz Power Corp	0.880%	0.950%
BDO	BDO Unibank Inc	6.477%	6.072%
BLOOM	Bloomerry Resorts Corp	0.041%	0.226%
BPI	Bank of the Phil. Islands	4.343%	3.981%
CEB	Cebu Air, Inc.	0.238%	0.000%
DMC	DMCI Holdings Inc	0.656%	0.824%
EDC	Energy Development Corp	0.000%	4.172%
EEI	Engineering Equipment Inc	0.148%	0.283%
FGEN	First Gen Corp	1.087%	0.393%
FLI	Fil-Invest Land, Inc	1.542%	1.261%
GLO	Globe Telecom Inc	2.806%	0.597%
GTCAP	GT Capital Holdings Inc	1.386%	1.547%
ICT	Intl Cont Terminal Serv Inc	3.137%	2.038%
IMI	Integrated Micro-Electronics, Inc.	0.000%	0.042%
JFC	Jollibee Foods Corp	1.693%	4.024%
JGS	JG Summit Holdings Inc	3.035%	2.523%
LTG	LT Group Inc	0.429%	0.567%
MAC	MacroAsia Corporation	0.327%	0.287%
MBT	Metro Bank & Trust Co	4.597%	4.249%
MEG	Megaworld Prop & Holdings Inc	3.249%	1.448%
MER	Manila Electric Co	1.746%	1.713%
MPI	Metro Pacific Investment Corp	1.328%	1.847%
MWC	Manila Water Co	0.000%	1.290%
MWIDE	Megawide Construction Corp	0.000%	0.278%
PCOR	Petron Corp	0.146%	0.640%
PGOLD	Puregold Price Club Inc	0.573%	0.849%
PLC	Premiun Leisure Corp	0.148%	0.212%
PNB	Phil National Bank	0.114%	0.101%
PXP	PXP Energy Corporation	0.000%	0.044%
RLC	Robinsons Land Corp	0.444%	0.292%
RRHI	Robinsons Retail Holdings, Inc.	0.000%	0.267%
SCC	Semirara Mining Corp	0.452%	0.652%
SECB	Security Bank Inc	1.279%	1.125%
SHLPH	Pilipinas Shell Petroleum Corporation	0.086%	0.088%
SM	SM Investments Corp	10.954%	11.956%
SMC	San Miguel Corporation	1.673%	0.499%
SMPH	SM Prime Holdings Inc	7.140%	8.137%
SSI	SSI Group, Inc.	0.429%	0.000%
TEL	Phil Long Distance Tel Co	3.399%	3.674%
URC	Universal Robina Corp	4.867%	1.573%
WLCON	Wilcon Depot Inc	0.000%	0.214%

Total Investment of the Fund to the Outstanding Shares of an Investee Company			
AC	Ayala Corp	0.029%	0.032%
AEV	Aboitiz Equity Ventures Inc	0.010%	0.006%
AGI	Alliance Global Group Inc	0.012%	0.005%
ALI	Ayala Land Inc	0.040%	0.033%
AP	Aboitiz Power Corp	0.009%	0.009%
BDO	BDO Unibank Inc	0.029%	0.028%
BLOOM	Bloomerry Resorts Corp	0.001%	0.005%
BPI	Bank of the Phil. Islands	0.034%	0.025%
CEB	Cebu Air, Inc.	0.012%	0.000%
DMC	DMCI Holdings Inc	0.013%	0.015%
EDC	Energy Development Corp	0.000%	0.106%
EEI	Engineering Equipment Inc	0.036%	0.062%
EW	Eastwest Bank Corp.	0.000%	0.000%
FGEN	First Gen Corp	0.031%	0.019%
FLI	Fil-Invest Land, Inc	0.093%	0.093%
GLO	Globe Telecom Inc	0.026%	0.007%
GTCAP	GT Capital Holdings Inc	0.020%	0.022%
ICT	Intl Cont Terminal Serv Inc	0.029%	0.032%
IMI	Integrated Micro-Electronics, Inc.	0.000%	0.003%
JFC	Jollibee Foods Corp	0.015%	0.035%
JGS	JG Summit Holdings Inc	0.017%	0.018%
LTG	LT Group Inc	0.007%	0.007%
MAC	MacroAsia Corporation	0.030%	0.024%
MBT	Metro Bank & Trust Co	0.045%	0.036%
MEG	Megaworld Prop & Holdings Inc	0.046%	0.026%
MER	Manila Electric Co	0.011%	0.011%
MPI	Metro Pacific Investment Corp	0.024%	0.032%
MWC	Manila Water Co	0.000%	0.056%
MWIDE	Megawide Construction Corp	0.000%	0.016%
PCOR	Petron Corp	0.007%	0.019%
PGOLD	Puregold Price Club Inc	0.004%	0.016%
PLC	Premiun Leisure Corp	0.016%	0.019%
PNB	Phil National Bank	0.005%	0.004%
PXP	PXP Energy Corporation	0.000%	0.006%
RLC	Robinsons Land Corp	0.037%	0.008%
RRHI	Robinsons Retail Holdings, Inc.	0.000%	0.006%
SECB	Security Bank Inc	0.028%	0.019%
SCC	Semirara Mining Corp	0.013%	0.013%
SHLPH	Pilipinas Shell Petroleum Corporation	0.004%	0.003%
SM	SM Investments Corp	0.001%	0.028%
SMC	San Miguel Corporation	0.011%	0.004%
SMPH	SM Prime Holdings Inc	0.018%	0.020%
SSI	SSI Group, Inc.	0.104%	0.000%
TEL	Phil Long Distance Tel Co	0.034%	0.033%
URC	Universal Robina Corp	0.037%	0.015%
WLCON	Wilcon Depot Inc		0.011%
Total Investment in Liquid or Semi-Liquid Assets to Total Assets		10.78%	13.81%
Average Net Asset Value		1.18%	1.11%
Total Assets to Total Borrowings		6622.22%	14559.49%

As of June 30, 2019 and June 30, 2018, the Fund's average daily net asset value is 2,755,552,000.29 and 2,784,909,742.36 respectively.

ITEM 2. Number of Institutional and Retail Investors and the Percentage of their Investments

	Number of Investor	Percentage of Investment	Number of Shares
Retail	2,295	47.07%	957,322,082
Institutional	1,491	52.93%	1,076,664,239

ITEM 3. Geographic Concentration of Investments

	Number of Investor	Percentage of Investment	Number of Shares
Philippines	3,778	98.78%	2,009,093,751
Asia	6	1.17%	23,879,783
Europe	1	0.02%	433,576
North America	1	0.03%	579,211

ITEM 4. Fund Performance

Below is the return information of the fund in the last five recently completed years.

Calendar Year Returns (%)

Returns	2018	2017	2016	2015
PDYF	-10.7	20.8	-0.85	-6.71

ITEM 5. Level of FATCA Compliance

The fund has implemented standard procedures to be FATCA-compliant. Currently, the number of investors in the fund qualifying as a US person is below 1% of the total investors.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Taguig on July 24, 2019.

PHILEQUITY DIVIDEND YIELD FUND, INC.
Issuer

By:

IGNACIO B. GIMENEZ
Chairman & President
760 9d-293-111486

ATTY. ANN MARGARET K. LORENZO
Asst. Corporate Secretary
781 8d-244-323-370

MARIBEL E. BERE
Associate Director for Accounting,
Controllershship and Payroll Services
Tin Ed-115-253-743

¹equivalent to Principal Executive Officer / Principal Operating Officer

JUL 24 2019
 SUBSCRIBED AND SWORN to before me this _____ day of _____,
 MANDALUYONG CITY, I exhibit to me her _____
 with No. _____ as strong proof of her/his identity.

Doc. : 77
Page : 17
Book : 89
Series of : 2.9

ATTY. JAMES E. ABUGAN
NOTARY PUBLIC
Appt. No. 6442-19
Until Dec 31, 2020
IBP No. 051567 Sept. 28, 2018
Roll No. 26890 Lifetrac
MCLE No. VI-0012875 Until 4/14/2022
TIN No. 716-239-956
PTR No. 3811514/1-3-2019
Tel No. 631-40-90

PHILEQUITY DIVIDEND YIELD FUND, INC.
(An Open-End Mutual Fund Company)
STATEMENTS OF FINANCIAL POSITION

	Interim (Unaudited)	Audited
	June 30, 2019	December 31, 2018
	in PHP	in PHP
ASSETS		
Cash and cash equivalents (Note 6)	298,016,991	310,869,817
Financial assets at fair value through profit or loss (Note 7)	2,462,290,102	2,186,488,042
Receivables (Note 8)	3,228,301	1,613,007
Total Assets	2,763,535,394	2,498,970,866
LIABILITIES AND EQUITY		
Liabilities		
Accrued expenses and other liabilities (Note 9)	41,731,269	9,679,563
Deposit for future stock subscription (Note 9)	-	-
	41,731,269	9,679,563
Equity		
Subscribed share capital (Note 10)	2,033,986,321	1,985,061,762
Additional paid-in capital	518,818,919	499,495,696
Retained earnings (Deficit)	168,998,886	4,733,845
	2,721,804,126	2,489,291,303
Total Liabilities and Equity	2,763,535,395	2,498,970,866
Net Asset Value Per Share (Note 10)	1.3382	1.2540

See accompanying Notes of Financial Statements

PHILEQUITY DIVIDEND YIELD FUND, INC.
(An Open-End Mutual Fund Company)
STATEMENTS OF COMPREHENSIVE INCOME

	For the Period Ended (Unaudited)		For the Quarter (Unaudited)	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018
	in PHP	in PHP	in PHP	in PHP
INVESTMENT INCOME (LOSS)				
Net gain on sale of financial assets at fair value through profit or loss (Note 7)	171,113,483	(401,984,900)	40,510,761	(218,193,816)
Dividends	29,888,135	24,626,507	18,614,592	13,874,956
Interest	6,048,924	972,300	3,631,021	603,036
	207,050,542	(376,386,093)	62,756,374	(203,715,824)
EXPENSES				
Management fee	22,893,693	23,277,280	11,572,796	11,427,956
Commission expense	3,565,164	1,758,515	1,725,865	1,758,515
Transaction cost	148,659	370,664	(136,940)	62,790
Taxes and licenses	2,166,009	1,483,714	(1,731,131)	(1,482,157)
Others	3,813,902	3,946,812	3,680,052	3,782,241
	32,587,428	30,836,986	15,110,641	15,549,346
INVESTMENT INCOME BEFORE INCOME TAX	174,463,114	(407,223,079)	47,645,732	(219,265,170)
PROVISION FOR INCOME TAX				
Current - RCIT	-	-	-	-
Final	1,209,785	194,461	726,204	120,607
	1,209,785	194,461	726,204	120,607
TOTAL COMPREHENSIVE INCOME	173,253,329	(407,417,539)	46,919,528	(219,385,777)
EARNINGS PER SHARE (LOSS) PER SHARE				
(Note 14)	0.0831	(0.1959)	0.0232	(0.1059)

See accompanying Notes of Financial Statements

PHILEQUITY DIVIDEND YIELD FUND, INC.
(An Open-End Mutual Fund Company)
STATEMENTS OF CHANGES IN EQUITY

	For the Period Ended (Unaudited)			
	June 30, 2019	Amount	June 30, 2018	Amount
	No. of Shares	in PHP	No. of Shares	in PHP
CAPITAL STOCK				
Common Stock - 1 par value				
Authorized	10,000,000,000	10,000,000,000	10,000,000,000	10,000,000,000
Issued:				
Balance at beginning	1,985,061,762	1,985,061,762	2,106,952,463	2,106,952,463
Issuance	172,511,617	172,511,617	41,740,326	41,740,326
Redemption	(123,587,058)	(123,587,058)	(81,503,360)	(81,503,360)
Balance at end of period	2,033,986,321	2,033,986,321	2,067,189,429	2,067,189,429
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of the year		499,495,696		526,782,743
Issuance in excess of par value		50,191,695		13,971,768
Redemption		(30,868,472)		(19,999,787)
Balance at end of period		518,818,919		520,754,724
RETAINED EARNINGS				
Balance at beginning of year		4,733,845		325,020,151
Total comprehensive income		173,253,329		(407,417,539)
Excess of the redemption cost over cost over the original selling price		(8,988,288)		(7,705,779)
Balance at end of period		168,998,886		(90,103,167)
		2,721,804,126		2,497,840,986

See accompanying Notes of Financial Statements

PHILEQUITY DIVIDEND YIELD FUND, INC.
(An Open-End Mutual Fund Company)

STATEMENTS OF CASH FLOWS

	For the Period Ended (Unaudited)	
	June 30, 2019	June 30, 2018
	in PHP	in PHP
CASH FLOW FROM OPERATING ACTIVITIES		
Investment income/(loss) before income tax	174,463,114	(407,223,079)
Adjustments for:		
Net realized/unrealized gain on change in fair value of financial assets at fair value through profit or loss (FVPL)	(171,113,483)	401,984,900
Operating loss before working capital changes	3,349,631	(5,238,179)
Proceeds from sale of financial assets at FVPL		
Decrease (increase) in:		
Financial assets at fair value through profit and loss	(104,688,577)	222,503,354
Receivables	(1,615,294)	3,848,943
Prepaid expenses and other assets	(0)	(709,390)
Increase (decrease) in accrued expenses	32,051,706	(5,513,263)
Net cash provided by operations	(70,902,534)	214,891,465
Income tax paid	(1,209,785)	(194,461)
Net cash provided by (used in) operating activities	(72,112,319)	214,697,004
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition	-	-
Proceeds on sale	-	-
Net cash provided by (used in) investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from subscriptions of capital stock	222,703,312	55,712,094
Payments for redemptions of capital stock	(163,443,818)	(109,208,926)
Net cash provided by (used in) financing activities	59,259,494	(53,496,831)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(12,852,825)	161,200,173
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	310,869,817	186,194,717
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 6)	298,016,990	347,394,888
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS		
Interest received	6,383,540	975,129
Dividends received	28,246,008	23,939,121

See accompanying Notes of Financial Statements

PHILEQUITY DIVIDEND YIELD FUND, INC.

(An Open-End Mutual Fund Company)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Philequity Dividend Yield Fund, Inc. (the Fund) was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on August 2, 2012 under the Philippine Investment Company Act (ICA) (Republic Act 2629), as an open-end investment company. The corporate life of the Fund is 50 years from the date of incorporation. The Fund is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of equity securities.

Philequity Management, Inc. (PEMI) serves as the fund manager of the Fund.

On June 20, 2017, the Board of Directors (BOD) approved the amendment to Article 3 of Articles of Incorporation to change its principal address from 2004 East Tower PSE Centre, Ortigas Center, Pasig City, Metro Manila, Philippines to 15th Floor, Philippine Stock Exchange Tower, 28th St. Corner 5th Ave., Bonifacio Global City, Taguig City, Metro Manila, Philippines. The Amended Articles of Incorporation was approved by the Securities and Exchange Commission (SEC) on March 12, 2018.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Presentation of Financial Statements

The Fund presents its statement of financial position in order of liquidity. An analysis regarding recovery (asset) or settlement (liability) within 12 months from the reporting date (current) and beyond 12 months from the reporting date (noncurrent) is presented in Note 4. All of the Fund's assets and liabilities as of June 30, 2019 and December 31, 2018 are current.

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Fund has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of these pronouncements did not have significant impact on the Fund's financial position or performance, unless otherwise indicated.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*

- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
- PFRS 15, *Revenue from Contracts with Customers*
- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

The Fund has adopted PFRS 9 effective January 1, 2018 using the modified retrospective approach. The Fund has not restated comparative information, which continued to be reported under PAS 39.

(a) Classification and Measurement

Under PFRS 9, debt financial assets are classified and measured at FVTPL, amortized cost (AC) or fair value through other comprehensive income (FVTOCI). The classification is based on the Fund's business model for managing the financial assets and whether the financial instrument's contractual cash flows represent "solely payments of principal and interests" or "SPPI" on the principal amount outstanding.

The assessment of the Fund's business model was made as at January 1, 2018. The assessment of whether the instruments' contractual cash flows are SPPI was made based on the facts and circumstances as at the initial recognition of the financial assets.

The classification and measurement requirements of PFRS 9 did not have significant impact on the Fund's financial statements. Cash and cash equivalents and loans and receivables as at January 1, 2018 are held to collect contractual cash flows and give rise to cash flows that are SPPI. Accordingly, these financial assets are continued to be carried at amortized cost, and are classified as financial assets at AC starting January 1, 2018. Financial assets at FVPL as at January 1, 2018 are equity securities which are held for trading. Accordingly, these financial assets are continued to be carried at fair value through profit or loss.

The Fund's financial liabilities which include accrued expenses and other liabilities (excluding statutory liabilities) remained to be classified at amortized costs upon transition.

(b) Impairment

The adoption of PFRS 9 has fundamentally changed the Fund's measurement of impairment losses for its financial assets – from PAS 39's incurred loss approach to a forward-looking expected credit loss (ECL) approach. Under PFRS 9, the Fund is required to provide ECL for financial assets at AC and other debt instruments classified as financial assets at FVTOCI. The allowance is based on the ECLs associated with the risk of default in the next twelve months unless there has been a significant increase in credit risk (SICR) since origination or the financial assets are impaired where lifetime ECL is provided.

Upon the adoption of PFRS 9, the Fund assessed that its cash and cash equivalents and loans and receivables are considered low credit risk financial assets as of January 1, 2018. Accordingly, the Fund assessed that the impact of recognizing 12-month ECL for these financial assets is not significant.

Summary of Significant Accounting Policies

Cash and Cash Equivalents

This includes cash in banks and cash equivalents. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from date of acquisition and that are subject to an insignificant risk of changes in value.

Fair Value Measurement

The Fund measures financial instruments at fair value at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

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

Initial recognition of financial instruments

Financial instruments are initially recognized at fair value of the consideration given. The initial measurement of financial instruments includes transaction costs, except for financial instruments at financial assets at FVTPL.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Fund recognizes the difference between the transaction price and fair value (a 'Day 1 difference') in profit or loss in the statement of comprehensive income under 'Others' unless it qualifies for recognition as some other type of asset. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Fund determines the appropriate method of recognizing the 'Day 1' amount.

In June 30, 2019 and December 31, 2018, there were no 'Day 1' differences recognized in profit or loss in the statements of comprehensive income.

Classification and subsequent measurement of financial instruments (policy applicable beginning January 1, 2018)

Financial assets

For purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under PAS 32, *Financial Instruments: Presentation*), except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Fund's business model for managing financial assets. The Fund classifies its financial assets into the following categories: financial assets at FVTPL, financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets measured at AC.

Contractual cash flows characteristics

The Fund assesses whether the cash flows from the financial asset represent SPPI on the principal amount outstanding. Instruments with cash flows that do not represent as such are classified at FVTPL.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

In making this assessment, the Fund determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Business model

The Fund determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Fund's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers, if any, of the business are compensated.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

As of June 30, 2019, the Fund has no financial assets at FVTOCI.

Financial assets at FVTPL

Debt financial assets that do not meet the amortized cost criteria, or that meet the criteria but the Fund has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss. Equity investments are classified as at FVTPL, unless the FVTPL designates an investment that is not held for trading as at FVTOCI at initial recognition. The Fund's financial assets at FVTPL include equity securities held for trading purposes and equity investments not designated as at FVTOCI.

A financial asset is held for trading if:

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

Financial assets at FVTPL are carried at fair value and gains and losses on these instruments are recognized as 'Trading and securities gain - net' in the statement of income. Interest earned on these investments is reported in the statement of income under 'Interest income' while dividend income is reported in the statement of income under 'Dividend income' when the right of payment has been established.

Quoted market prices, when available, are used to determine the fair value of these financial instruments. If a financial asset at FVTPL has a bid and ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value. If quoted market prices are not available, their fair values are estimated based on market observable inputs. For all other financial instruments not listed in an active market, fair value is determined by using appropriate valuation techniques.

Financial assets at amortized cost

A debt financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are integral part of the EIR. The amortization is included in 'Interest income' in the profit or loss and is calculated by applying the EIR to the gross carrying amount of the financial asset. The Fund's financial assets at amortized cost consist of 'Cash and Cash equivalents' and 'Accrued interest receivable' and 'Dividends receivable'.

Reclassifications of financial assets

The Fund reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Fund and any previously recognized gains, losses or interest shall not be restated.

Financial liabilities

Financial liabilities are classified as financial liabilities at FVTPL and other financial liabilities. The classification of financial liabilities at initial recognition depends on the purpose for which the financial liabilities are incurred and their characteristics.

As of June 30, 2019, the Fund has no financial liabilities at FVTPL.

Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL at the inception of the liability. Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This category includes 'Accrued expenses and other liabilities'.

Classification and subsequent measurement of financial instruments (policy applicable prior to January 1, 2018)

The Fund classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) investments, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities carried at amortized cost.

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments at FVPL include financial assets and financial liabilities that are:

- acquired and held for trading purposes;
- designated upon initial recognition as at FVPL; and
- stand-alone or bifurcated embedded derivative financial instruments not designated as effective hedging instruments.

Financial assets and financial liabilities are classified as held for trading if they are acquired for purposes of selling and repurchasing in the near term.

Financial assets and financial liabilities may be designated by management on initial recognition as at FVPL when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Subsequent changes in fair value are recognized in 'Trading and investment securities gains (losses) - net' in profit or loss in the statement of comprehensive income. Interest earned or incurred is recorded in 'Interest income' or 'Interest expense' in the profit or loss in the statement of comprehensive income, respectively, while dividend income is recorded in 'Dividend income' in the profit or loss in the statement of comprehensive income when the right to receive payment has been established.

The Fund's financial assets at FVPL consist of investments in equity securities listed in the PSE as of June 30, 2019.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as 'AFS investments' or 'Financial assets designated at FVPL'.

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

As of June 30, 2019, loans and receivables consist of 'Cash and cash equivalents', 'Due from broker', 'Dividends receivable' and 'accrued interest receivable.'

Other financial liabilities

Issued financial instruments or their components, which are not designated at FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Fund having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Other financial liabilities include liabilities arising from operations which consist of accrued expenses and other liabilities excluding payable to the government and its related agencies.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if and only if, there is a legally enforceable right to offset the recognized amounts and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statement of financial position.

As of June 30, 2019 and December 31, 2018, the Fund does not have financial instruments that can be offset under enforceable netting agreements or similar agreements.

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

Where the Fund has transferred its rights to receive cash flows from an asset or has entered into a "pass-through arrangement", and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Fund's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

Financial liabilities

Impairment of Financial Assets (policy applicable beginning January 1, 2018)

Expected credit loss

PFRS 9 requires the Fund to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts. ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of the financial asset.

Definition of default

Generally, the Fund defines a financial asset as in default for purposes of calculating ECL when the contractual payments are past due for more than 90 days. As part of the qualitative assessment, the Fund also considers a variety of instances that may indicate unlikelihood to pay to determine if a counterparty has defaulted.

SICR

To determine whether there has been a significant increase in credit risk in the financial assets, the Fund compares credit risk at initial reporting date against credit risk as at the reporting date. The Fund uses judgment combined with relevant reasonable and supportable historical and forward-looking information which are available without undue cost and effort in calculating ECL. The Fund assumes that instruments with an external rating of "investment grade" from published data providers or other reputable agencies and maturities of less than 1 year at reporting date are low credit risk financial instruments and accordingly, does not have SICR since initial recognition.

For treasury exposures, a downgrade of two notches for investment grade and one notch for non-investment grade security indicates SICR since origination. The Fund also presumes a SICR for receivables that are past due for 30 days. Consideration of events which caused the downgrade is relevant. Evaluation should also include historical and forward-looking information.

Assessment of ECL on a collective basis

The Fund evaluates impairment of financial assets individually for those that are individually significant and collectively for those that are not. The Fund groups the financial assets based on profile of customer and its payment terms and history for the collective impairment.

Staging assessment

A three-stage approach for impairment of financial assets is used, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired debt financial assets which have not experienced a SICR since initial recognition. The Fund recognizes a 12-month ECL for Stage 1 debt financial assets.
- Stage 2 is comprised of all non-impaired debt financial assets which have experienced a SICR since initial recognition. The Fund recognizes a lifetime ECL for Stage 2 debt financial assets.

For credit-impaired financial instruments:

Financial instruments are classified as Stage 3 when there is objective evidence of impairment.

Forward-looking information

The Fund incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic outputs such as Consumer Price Index (CPI), exchange rates, Gross Domestic Product (GDP) growth rates, imports and exports, Philippine Stock Exchange index (PSEi), stock prices and unemployment rates. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Write-off policy

The Fund writes off its financial assets when it has been established that all efforts to collect and/or recover the loss has been exhausted. This may include the other party being insolvent, deceased or the obligation being unenforceable.

Impairment of financial assets (policy applicable prior to January 1, 2018)

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

Loans and receivables

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the profit or loss in the statement of comprehensive income. Interest income continues to be recognized based on the original EIR of the asset. Loans and receivables, together with the associated allowance

accounts, are written off when there is no realistic prospect of future recovery.

The Fund assesses whether objective evidence of impairment exists for financial assets that are individually significant. Because the Fund has only a few counterparties, collective assessment of financial assets is not necessary.

If, in 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 is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Share Issuance Costs

Share issuance costs such as sales load fee are deducted against 'Additional paid-in capital'. If 'Additional paid-in capital' is not sufficient to absorb the share issuance costs, any excess is charged against 'Retained earnings'.

Retained Earnings

The amounts in retained earnings include accumulated investment income from previous periods reduced by excess of redemption costs over the original issuance price of redeemed shares.

Net Asset Value (NAV) Per Share

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Fund assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

Trading and investment securities gains (losses) - net

Trading and investment securities gains (losses) - net represents gains (losses) from trading activities and changes in fair values of financial instruments at FVTPL. Revenue is recognized on trade date upon receipt of confirmation of sale of investments from counterparties.

Dividend income

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

Interest income

Interest income is recognized in profit or loss for all instruments measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but

does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Expense Recognition

Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Income Taxes

Current tax

Current tax liabilities for the current and prior periods are measured at the amounts expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carry forward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carry forward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred tax assets, however, are not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in profit or loss or other comprehensive income.

Value Added Tax (VAT)

The Fund is not subject to VAT on its sales of goods and/or services. The amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Capital Stock and Redeemable Shares

A puttable financial instrument is classified as an equity instrument if it has all of the following features:

- It entitles the holder to a pro-rata share of the Fund's net assets in the event of the Fund's liquidation;
- The instrument is in the class of instruments that is subordinate to all other classes of instruments.
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- The instrument does not include any contractual obligation to deliver cash or another financial asset other than the holder's right to a pro-rata share of the Fund's net assets; and
- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

In addition to the instrument having all the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows 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 Fund; and
- The effect of substantially restricting or fixing the residual return to the puttable instrument holders.

The Fund continuously assesses the classification of the redeemable shares. If the redeemable shares cease to have all the features or meet all the conditions set out above, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognized in equity. If the redeemable shares subsequently have all the features and meet the conditions set out above, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and resale of redeemable shares are accounted for as equity transactions. Upon sale of shares, the consideration received is included in equity. Redemptions are recorded as charges against equity.

Earnings (Loss) Per Share

Earnings (loss) per share (EPS) is computed by dividing net income (loss) of the Fund by the weighted average number of common shares issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

The weighted average number of common shares used in the calculation of earnings (loss) per share is determined on the basis of the weighted average number of shares of the Fund outstanding during the period.

Provisions

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer

probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Where the Fund expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain that the expense relating to any provision is presented in the profit or loss in the statement of comprehensive income, net of any reimbursement.

Contingent Liabilities and Contingent Assets

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

Events after the Reporting Date

Any post year-end events that provide additional information about the Fund's financial position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements, when material.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
Under PFRS 9, a debt instrument can be measured at AC or at FVTOCI, provided that the contractual cash flows are SPPI and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.
- PFRS 16, *Leases*
PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:
 - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
 - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Fund.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Fund does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its financial statements.

- *Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments*
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

This interpretation is not relevant to the Fund because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of June 30, 2019 and December 31, 2018.

- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Fund but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Fund because dividends declared by the Fund do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Fund's current practice is in line with these amendments, the Fund does not expect any effect on its financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Fund.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are

largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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

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

3. Significant Accounting Judgment

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

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

Judgment

a. Classification of shares as equity or liability

The Fund continuously assesses whether all of the conditions indicated in its accounting policy on Capital Stock and Redeemable Shares (Note 2) are met by the redeemable shares it issues to retain the classification of the shares as equity instruments.

In applying its judgment, management considers the rights and claims of each shareholders embedded on shares issued, the type and features of issued shares including the terms of any contractual obligation, and the basis for the cash flows attributable to the entirety of the term of the shares.

Estimates

a. Credit losses on financial assets

The Fund reviews its debt financial assets subject to ECL annually with updating provisions as necessary. The measurement of credit losses requires judgment, in particular, the estimation of amount and timing of future cash flows and collateral values when determining the credit losses and the assessment of SICR. Elements of the model used to calculate ECL that are considered accounting estimates and judgments, include among others:

- Segmentation of financial assets to determine appropriate ECL model and approach
- Criteria for assessing whether there has been SICR in the debt financial assets and so allowances be measured on a lifetime ECL basis and the qualitative assessment
- Segmentation of financial assets when ECL is calculated on a collective basis
- Development of ECL models, including formula and various inputs
- Selection of forward-looking macroeconomic variables and scenarios

4. Financial Risk Management Objectives and Policies

The Fund's principal financial instruments comprise cash and cash equivalents and financial assets at FVTPL. The main purpose of these financial instruments is to seek long-term capital appreciation through investments in equity securities of listed Philippine companies while taking into consideration the liquidity and safety of its investments to protect the interest of its investors. The Fund also has various other financial assets and liabilities such as loans and receivables and accrued expenses and other liabilities, which arise directly from its operations.

Governance Framework

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

The policies define the Fund's identification of risk and its interpretation, setting of limits structure to ensure the appropriate quality and diversification of assets, and specification of reporting requirements.

Regulatory Framework

The operations of the Fund are subject to the regulatory requirements of the SEC and are governed by the provision in its prospectus that incorporated relevant investment rules and regulations such as the Implementing Rules and Regulations of the Investment Company Act and the Anti-Money Laundering Law.

The Fund's investment activities are guided by the following limitations/restrictions:

- The Fund as ordered by the SEC, unless otherwise permitted, may not engage in margin purchase of securities, commodity futures contract, precious metals, unlimited liability investments, short selling of currencies, short selling of investments, and other investments as the SEC shall, from time to time prescribe.

- The Fund shall not incur any further debt or borrowings unless at the time of its incurrence or immediately thereafter, there is a net asset coverage of at least 300.00% for all its borrowings, or such net asset coverage as the Philippine laws and regulations may prescribe. In the event that such asset coverage shall fall below 300.00%, the Fund shall within three days thereafter or such period as the applicable Philippine laws and regulations may require, reduce the amount of borrowings to an extent that the net asset coverage shall be at least 300.00% or the coverage required by law.
- Unless permitted by applicable Philippine laws, rules or regulations, the Fund shall not participate in an underwriting or selling group in connection with the public distribution of securities, except its own capital stock.
- The maximum investment in any single enterprise shall not exceed an amount equivalent to 15.00% of the Fund's NAV, and in no case shall the total investment of the Fund exceed 10.00% of the outstanding securities of any one investee company.
- The Fund shall not invest in real estate properties and developments.
- The Fund shall not invest in any company for the purposes of exercising control or management.
- The Fund shall not issue or sell senior securities of which it is the issuer.
- The Fund shall not extend loans to individuals. Loans or credit extensions to corporations shall be limited to commercial papers and bonds registered with the SEC, or subject of a grant of exemption there from, and which have been preapproved by the BOD.
- The Fund shall not invest in the securities of other investment companies.
- The Fund shall not purchase from or sell to any of its officers or directors, or to any of the officers or directors of its investment adviser/s, manager or distributor/s or firm/s of which any of them are members, any security other than the capital stock of the Fund.
- The total operational expenses of the Fund shall not exceed 10.00% of its total investment fund; total net worth or total NAV as shown in the previous years' audited financial statements, or such other limitations as may be prescribed by the applicable Philippine laws or regulations.
- The Fund shall not change its investment objectives without prior approval of the majority of its stockholders.

Risk Management Policies

The Fund is exposed to financial risk through its financial assets and liabilities. The most significant components of this financial risk are credit risk, liquidity risk and market risk. The BOD reviews and approves policies for managing the aforementioned risks and are summarized below:

Credit risk

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

Maximum exposure to credit risk

The Fund's maximum exposure to credit risk is limited to the carrying value of its financial assets as of reporting date. The Fund does not hold any collateral or other credit enhancements that will mitigate credit risk exposure.

Credit quality per class of financial assets

As of June 30, 2019 and December 31, 2018, the financial assets are viewed by management as high grade and there are no past due or impaired financial assets as of reporting date. The Fund only invests in high grade financial assets.

The Fund rates its financial assets based on internal and external credit rating system. The credit quality of treasury exposures is generally monitored through the external ratings of eligible external credit assessment rating institutions.

Credit Quality	External Rating				
Investment Grade (High grade)	Aaa	Aa	A	Baa	Ba
Non-Investment Grade (Standard grade)	Ba	B	Caa	Ca	C
Impaired (Substandard grade)	D				

High grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in local banks belonging to the top twenty banks in terms of resources and profitability. High grade accounts are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.

Liquidity risk

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

The Fund is exposed to daily cash redemptions of redeemable participating shares. The Fund is exposed to the risk of being unable to meet its payment obligations to redeeming shareholders.

It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

To limit this risk, the Fund strictly complies with Implementing Rules and Regulations of the Investment Company Act, which requires all Investment Companies/Mutual Funds to invest at least 10.00% of its net assets in liquid/semi-liquid assets. This Rule defines such assets as (a) Treasury notes or bills, certificates of indebtedness issued by the Bangko Sentral ng Pilipinas (BSP) which are short-term and other government securities; and (b) savings or time deposits with government or commercial banks in the name of the Fund.

The table below analyzes financial assets and liabilities and redeemable shares of the Fund into their relevant maturity groups based on remaining contractual undiscounted cash flows as of June 30, 2019 and December 31, 2018:

	June 30, 2019			December 31, 2018		
	Up to a Year	More than a Year*	Total	Up to a Year	More than a Year*	Total
Financial Assets:						
Cash and cash equivalents	298,016,991	-	298,016,991	310,869,817	-	310,869,817
Financial Assets at FVPL						
Quoted equity securities	-	2,462,290,102	2,462,290,102	-	2,186,488,042	2,186,488,042
Receivables						
Due from brokers	307,782	-	307,782	-	-	-
Dividend receivable	2,602,522	-	2,602,522	960,395	-	960,395
Accrued interest receivable	317,996	-	317,996	652,612	-	652,612
Prepaid Expenses	0	-	0	-	-	-
Total receivables	3,228,301	-	3,228,301	1,613,007	-	1,613,007
	301,245,292	2,462,290,102	2,763,535,394	312,482,824	2,186,488,042	2,498,970,866
Other Financial Liabilities:						
Accrued expenses and other current liabilities	41,731,269	-	41,731,269	9,679,563	-	9,679,563

* Equity securities are included in more than one year because it has no definite contractual maturity.

As of June 30, 2019 and December 31, 2018, all financial liabilities and redeemable shares of the Fund subject to liquidity risk are contractually payable at their face amounts. The Fund considers its cash equivalents, financial assets at FVTPL and loans and receivables as liquidity risk management tools. These financial instruments may be liquidated or sold by the Fund anytime the need for immediate funding arises.

Market risk

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

The Fund is exposed to the risk that the value of the Fund's financial assets will be adversely affected by the fluctuations in the price level or volatility of one or more of the said assets. The two main components of the risks recognized by the Fund are systematic risk and unsystematic risk.

Systematic risk is the variability in price caused by factors that affect all securities across all markets (e.g. significant economic or political events). Unsystematic risk on the other hand, is the variability in price caused by factors which are specific to the particular issuer (corporation) of the shares of stock. Through proper portfolio diversification, this risk can be minimized as losses on one particular stock may be offset by gains in another.

The effectiveness of the diversification of the portfolio may be evaluated by comparing the volatility of the portfolio versus the volatility of the PSEi, the benchmark portfolio for the Fund.

To further mitigate these risks, the Fund ensures that the investment portfolio is adequately diversified taking into consideration the size of the portfolio.

a. Foreign currency risk

As of June 30, 2019 and December 31, 2018, the Fund does not have foreign currency denominated financial instruments.

b. Equity price risk

The Fund's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally of quoted equity securities held for trading.

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

affecting all instruments traded in the market. The Fund's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan and limits on investments.

c. Interest rate risk

The Fund's exposure to market risk for changes in interest rates relates primarily to the Fund's cash and cash equivalents.

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

d. Market/price risk

The potential for an investor to experience losses due to changes in the market prices of investments.

5. Fair Value of Financial Instruments

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The methods and assumptions used by the Fund in estimating the fair values:

Cash and cash equivalents and loans and receivables

The carrying amounts approximate the fair values due to the short-term maturity of these instruments.

Financial assets at FVTPL

Fair values of listed equity securities are based on quoted prices

Accrued expenses and other liabilities

The carrying amounts approximate fair values considering that these are due and demandable or are payable in less than one month.

Fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments measured at fair value:

Level 1: quoted (unadjusted) prices in active markets for identified assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table sets forth the carrying values and fair values of financial assets and liabilities recognized as of June 30, 2019 and December 31, 2018:

	June 30, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Financial Assets at FVPL				
Listed equity securities	2,462,290,102	2,462,290,102	2,186,488,042	2,186,488,042

6. Cash and Cash Equivalents

This account consists of:

	June 30, 2019	December 31, 2018
Cash in banks	5,718,937	2,769,817
Short-term placements	292,298,054	308,100,000
Total	298,016,991	310,869,817

Cash in banks earns annual interest at the prevailing bank deposit rates. Cash equivalents pertain to short-term placements made for varying periods of up to three months depending on the immediate cash requirements of the Fund, and earn interest at the prevailing short-term deposit rates.

7. Financial Assets at Fair Value through Profit or Loss

Financial assets at FVPL consist of investments in shares of stock listed in the Philippine Stock Exchange held for trading.

Net gain (loss) on financial assets at FVPL consists of:

	June 30, 2019	June 30, 2018
Net realized gain/loss on sale	28,138,449	67,527,312
Changes in fair values	142,975,033	(469,512,211)
Total	171,113,483	(401,984,900)

Transaction costs incurred on investment in equities transactions includes commission to broker, Value Added Tax (VAT) and Securities Clearing Corporation of the Philippines fee (SCCP).

8. Loans and Receivables

This account consists of:

	June 30, 2019	December 31, 2018
Due from brokers	307,783	-
Dividends receivable	2,602,522	960,395
Accrued interest receivable	317,996	652,612
Total	3,228,301	1,613,007

9. Accrued Expenses and Other Liabilities

	June 30, 2019	December 31, 2018
Due to brokers	34,144,012	5,189,305
Due to related parties	3,580,631	3,138,617
Accrued expenses	117,548	218,386
Other liabilities	3,889,076	1,133,255
Total	41,731,268	9,679,563

Other liabilities includes payable to shareholders for unpaid redemption proceeds and subscriptions without confirmation from investors. Subscription is confirmed once the required subscription documents are submitted. Once confirmed, these subscriptions are reclassified to equity. Due to brokers pertains to purchases of equity securities settled the following month.

10. Equity

Capital Stock

The Fund's capital stock consists of:

	June 30, 2019		December 31, 2018	
	Shares	Amount	Shares	Amount
Common - 1.00 par value				
Authorized	10,000,000,000	10,000,000,000	10,000,000,000	10,000,000,000
Issued and outstanding	2,033,986,321	2,033,986,321	1,985,061,762	1,985,061,762

The summarized information on the Fund's registration of securities under the Securities Regulation Code follows:

<i>Date of SEC Approval</i>	<i>Authorized Shares</i>
February 7, 2014	500,000,000
October 17, 2014	1,000,000,000
December 19, 2014	8,500,000,000

As of June 30, 2019 and December 31, 2018, the total number of shareholders of the Fund is 3,786 and 3,808 respectively.

NAV per Share

As an open-end mutual fund company, the Fund stands ready at any time to redeem the outstanding capital stock at NAV per share.

The shares are entitled to payment of a proportionate share of the Fund's NAV on the redemption date or upon winding up of the Fund. The Fund's issued and outstanding shares are redeemed at their NAV calculated in accordance with redemption requirements.

Issuance, repurchase and resale of redeemable shares is based on the prevailing NAV per share at the date of the transaction. The total expected cash outflow on redemption of all the shares equals the Fund's equity. For the purpose of calculating the NAV per share attributable to holders of redeemable shares, the Fund's listed equity securities held for trading are valued on the basis of closing prices.

	June 30, 2019	December 31, 2018
NAV attributable to holders of redeemable shares (a)	2,721,804,127	2,489,291,303
Number of shares outstanding (b)	2,033,986,321	1,985,061,762
NAV per share (a/b)	1.3382	1.2540

Capital Management

The Fund's investment objective is to seek long-term capital appreciation and to generate regular income through investment primarily in companies listed on the PSE that pay out dividends, while taking into consideration the liquidity and safety of its investments to protect the interest of its investors.

The Fund's capital, consisting entirely of common shares, depends on the volume of subscriptions and redemptions made by its various shareholders. As a mutual fund, the Fund stands ready to redeem shares from shareholders at any time upon the request of the latter at the prevailing NAV per share. The investment restrictions are discussed in Note 4.

There are no changes made in the objectives and policies during the years ended June 30, 2019 and December 31, 2018.

Minimum Capital Requirement

As an investment company registered with the SEC, the Fund must continually comply with the minimum subscribed and paid-up capital of ₱50.00 million as required under Section 12 *Structure and Capitalization of Investment Companies* of the ICA. As of June 30, 2019 and December 31, 2018 the Fund has complied with this externally imposed capital requirement.

Retained Earnings

Under the Corporation Code of the Philippines (the Code), a stock corporation is prohibited from retaining surplus profits in excess of 100.00% of its paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the BOD; or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies. As of June 30, 2019 and December 31, 2018 the Fund is in compliance with this requirement. There are no retained surplus profits in excess of 100.00% of paid-in capital stock.

Paid-in capital stock is the amount of outstanding capital stock and paid-in capital or premium over the par value of shares.

11. Related Party Disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Fund; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Fund that gives them significant influence over the Fund and close members of the family of any such individual. Transactions are based on terms agreed by the related parties. Other related parties include PEMI and other funds being managed by PEMI.

The Fund has a Management and Distribution Agreement (the Agreement) with PEMI, the fund manager. As the fund manager of the Fund, PEMI is entitled to the following:

- a. The Fund shall pay an annual management fee of a maximum of 1.50% of the average NAV of the Fund. The NAV shall be determined in accordance with the procedures agreed upon by both parties. The Agreement shall remain in effect from year to year, unless otherwise terminated or amended by the parties in accordance with specified terms and conditions.
- b. The Fund shall remit to PEMI for sales commission of a maximum of 3.50% of the gross investment based on tiered-front end sales schedule charged to shareholders. This is withheld and remitted by the Fund to PEMI. This is payable in the following month.

The Fund shall reimburse the expenses paid by PEMI on behalf of the Fund. The related expenses are ultimately due to third-parties.

Related party transactions and balances as of and for the quarter ended June 30, 2019 and as of December 31, 2018 are as follow:

	June 30, 2019	December 31, 2018
Management Fee	22,893,693	44,934,756
Due to PEMI	3,580,631	3,138,617

Due to PEMI is included under 'Accrued expenses and other liabilities' in the statements of financial position.

11. Earnings (Loss) per Share

Earnings (loss) per share are calculated by dividing the net income (loss) for the quarter by the weighted average number of common shares outstanding during the quarter.

The following table reflects the net income (loss) and share data used in the earnings (loss) per share computations:

	For the Period Ended	
	June 30, 2019	June 30, 2018
Net investment income/(loss) (a)	173,253,329	(407,417,539)
Weighted average number of outstanding shares of stock (b)	2,084,050,097	2,079,637,352
Earning (loss) per share (a/b)	0.0831	(0.1959)