

COVER SHEET

SEC Registration Number

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Company Name

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

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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| N | A | | |
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COMPANY INFORMATION

Company's Email Address

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Company's Telephone Number/s

| |
|-----------|
| 8250-8700 |
|-----------|

Mobile Number

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No. of Stockholders

| |
|--------|
| 37,914 |
|--------|

Annual Meeting Month/Day

| |
|-------|
| 08/16 |
|-------|

Fiscal Year Month/Day

| |
|-------|
| 12/31 |
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CONTACT PERSON INFORMATION

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

Name of Contact Person

| |
|----------------------|
| Ma. Angelica Cabanit |
|----------------------|

Email Address

| |
|---------------------------------|
| angelica.cabanit@philequity.net |
|---------------------------------|

Telephone Number/s

| |
|-----------|
| 8250-8713 |
|-----------|

Mobile Number

| |
|---------------|
| 0917-590-7176 |
|---------------|

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.

NOTICE OF ANNUAL SHAREHOLDERS' MEETING

TO: ALL STOCKHOLDERS

Notice is hereby given that the annual meeting of the stockholders of **Philequity Fund, Inc.** will be held on **Thursday, 30 September 2021**, at **3:55 p.m.** via virtual meeting.

AGENDA

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 2020 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. Amendment of By-Laws to Allow Board and Stockholders Meetings to be Conducted Through Teleconferencing, Videoconferencing and Other Remote or Electronic Means of Communication
10. Amendment of By-Laws to Set Quorum for Meetings at 10%
11. Amendment of the By-Laws to Move the Date of the Annual Stockholders meeting from within 6 months of Calendar year to the Third Quarter of the Calendar Year
12. Other Matters
13. Adjournment

Given the restrictions posed by the COVID-19 pandemic and for the safety of stockholders, the company shall not conduct a physical meeting. Stockholders of record as of 1 September 2021 may attend/participate via proxy and remote communication, and vote in absentia.

In order that your stock may be represented at the meeting, please complete, sign and date the Voting Ticket and return it via mail or email on or before 20 September 2021 to the Office of the Corporate Secretary through the following:

Via Mail: 15th Floor, Philequity Management, Inc., PSE Tower, 5th Ave. corner 28th St. BGC, Taguig City

Via Email: asm@philequity.net

Validation of the voting ticket will be on 21 September 2021.

Stockholders of record who intend to participate in the meeting through remote communication shall notify the Corporate Secretary by sending an email to asm@philequity.net before 20 September 2021. Stockholders may exercise the right to vote through remote communication or *in absentia*, subject to validation.

Stockholders of record who intend to appoint a proxy shall submit their duly executed and signed proxies no later than September 20, 2021. All proxies should be received by the Corporation via mail or email at least ten (10) days before the meeting, or on or before 20 September 2021. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

Successfully registered stockholders can cast their votes and will be provided access to the meeting. All documents and information submitted shall be subject to verification and validation by the Office of the Corporate Secretary.

For complete information on the annual meeting, please visit <https://www.philequity.net/ASM2021.php>.

City of Taguig, Metro Manila, 25 August 2021.


JONATHAN P. ONG
Corporate Secretary

2021 ANNUAL SHAREHOLDERS' MEETING OF THE PHILEQUITY FUND, INC.

PROPOSAL 1

For election of Directors:

1. Multiply the number of your shares as of September 1, 2021 by seven (7)
2. The result from number one (1) is the number of votes you may distribute among the seven (7) nominees.

For example, if you have 100 shares, you may distribute 700 votes among the nominees in whichever way you choose.

Kindly write the number of votes you wish to confer upon each nominee on the blank space provided beside their names.

If you wish to withhold the authority to vote for any nominee, kindly strikeout their nominee's name by lining through it.

| Election of Directors | Number of Votes |
|---|-----------------|
| Antonio R. Samson | _____ |
| Aurora L. Shih | _____ |
| Felipe U. Yap | _____ |
| Ignacio B. Gimenez | _____ |
| Violeta O. Luym | _____ |
| Daniel A. Ongchoco (Independent Director) | _____ |
| Norman L. Wee (Independent Director) | _____ |

For the proposals below, kindly place an "x" mark on the space provided whether you approve, disapprove or abstain from voting.

| | | Approve | Disapprove | Abstain |
|-------------------|---|---------|------------|---------|
| PROPOSAL 2 | Ratification of the minutes of the previous Annual Stockholders' Meeting held on September 17, 2020 | _____ | _____ | _____ |
| PROPOSAL 3 | Approval of the 2020 Annual Reports and Audited Financial Statements | _____ | _____ | _____ |
| PROPOSAL 4 | Ratification of all acts, proceedings, and resolutions of the Board of Directors and Officers for the year 2020 | _____ | _____ | _____ |
| PROPOSAL 5 | Re-appointment of Sycip Gorres Velayo & Co. as the independent auditor for the year ending December 31, 2021 | _____ | _____ | _____ |
| PROPOSAL 6 | Amendment of By-Laws to Allow Board and Stockholders Meetings to be Conducted Through Teleconferencing, Videoconferencing and Other Remote or Electronic Means of Communication | _____ | _____ | _____ |
| PROPOSAL 7 | Amendment of By-Laws to Set Quorum for Meetings at 10% | _____ | _____ | _____ |
| PROPOSAL 8 | Amendment of the By-Laws to Move the Date of the Annual Stockholders meeting from month of June to the Third Quarter of the Calendar Year | _____ | _____ | _____ |

Note: Each holder of common stock is entitled to one (1) vote per share

Signature of Shareholder/s

Printed Name of Shareholder/s

Place

Date

Philequity Account Number

Philequity Account Name

Number of Shares Held

PLEASE EMAIL/MAIL THIS VOTING TICKET ON OR BEFORE SEPTEMBER 20, 2021

EMAIL: asm@philequity.net

MAIL: 15th Floor, Philequity Management, Inc., PSE Tower, 5th Ave. corner 28th St. BGC, Taguig City

Validation of the voting ticket will be on September 21, 2021

PLEASE MAIL / EMAIL THIS PROXY FORM ON OR BEFORE SEPTEMBER 20, 2021

MAIL: 15th Floor, Philequity Management, Inc., PSE Tower, 5th Ave. corner 28th St. BGC, Taguig City

EMAIL: asm@philequity.net

I/We, hereby nominate, constitute and appoint the Chairman of the Meeting as my/our continuing proxy, with right of substitution and revocation, to represent and vote all shares registered in my/our name or owned by me/us and/or such shares as I/we am/are authorized to represent and vote in my/our capacity as administrator/s, executor/s or attorney/s-in-fact at the annual stockholders' meeting on 30 September 2021, or any and all subsequent regular and special meetings of the stockholders of **Philequity Fund, Inc.** at all adjournments and postponements thereof, as fully to all intents and purposes of acting on the following matters:

PROPOSAL 1

For election of Directors:

- Multiply the number of your shares as of September 1, 2021 by seven (7)
- The result from number one (1) is the number of votes you may distribute among the seven (7) nominees.

For example, if you have 100 shares, you may distribute 700 votes among the nominees in whichever way you choose. Kindly write the number of votes you wish to confer upon each nominee on the blank space provided beside their names. If you wish to withhold the authority to vote for any nominee, kindly strikeout their nominee's name by lining through it.

___ a) Vote equally for all nominees or distribute or cumulate my shares to nominee/s listed below:

| Election of Directors | Number of Votes |
|--|------------------------|
| Antonio R. Samson | _____ |
| Aurora L. Shih | _____ |
| Felipe U. Yap | _____ |
| Ignacio B. Gimenez | _____ |
| Violeta O. Luym | _____ |
| Daniel Ongchoco (Independent Director) | _____ |
| Norman L. Wee (Independent Director) | _____ |

___ b) Withhold authority to vote for all nominees listed above

For the proposals below, kindly place an "x" mark on the space provided whether you approve, disapprove or abstain from voting.

| | Approve | Disapprove | Abstain |
|---|----------------|-------------------|----------------|
| PROPOSAL 2 Ratification of the minutes of the previous Annual Stockholders' Meeting held on September 17, 2020 | _____ | _____ | _____ |
| PROPOSAL 3 Approval of the 2020 Annual Reports and Audited Financial Statements | _____ | _____ | _____ |
| PROPOSAL 4 Ratification of all acts, proceedings, and resolutions of the Board of Directors and Officers for the year 2020 | _____ | _____ | _____ |
| PROPOSAL 5 Re-appointment of Sycip Gorres Velayo & Co. as the independent auditor for the year ending December 31, 2021 | _____ | _____ | _____ |
| PROPOSAL 6 Amendment of By-Laws to Allow Board and Stockholders Meetings to be Conducted Through Teleconferencing, Videoconferencing and Other Remote or Electronic Means of Communication | _____ | _____ | _____ |
| PROPOSAL 7 Amendment of By-Laws to Set Quorum for Meetings at 10% | _____ | _____ | _____ |
| PROPOSAL 8 Amendment of the By-Laws to Move the Date of the Annual Stockholders meeting from month of June to the Third Quarter of the Calendar Year | _____ | _____ | _____ |

Note: Each holder of common stock is entitled to one (1) vote per share

This proxy revokes all proxies which may have been previously executed by the undersigned. This proxy shall be effective until withdrawn by me through notice in writing, or superseded by subsequent proxy, delivered to the Secretary at least ten (10) days before any scheduled meeting, but shall not apply in instances where I personally attend the meeting, nor be effective beyond five (5) years from date hereof.

Executed on _____ at _____
Date Place (City, Country)

Signature of Shareholder/s

Printed Name of Shareholder/s

Shareholder's Contact Number

Philequity Account Number

Philequity Account Name

This solicitation is made by the Company through the Chairman. No director has informed the Company/Chairman in writing or otherwise of his intention to oppose any action intended to be taken up at the meeting. Solicitation of proxies will be done mainly by electronic means. The cost of solicitation will be borne by the Company.

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 Fund, Inc.**
3. Province, country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**
4. SEC Identification Number: **AS094-001-656**
5. BIR Tax Identification Code: **003-868-545**
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) 8250-8700**
8. Date, time and place of the meeting of security holders:
Date : 30 September 2021
Time : 02:55p.m.
Venue : virtual meeting (details to be posted at <https://philequity.net/ASM2021>).
9. Approximate date on which the Information Statement is first to be sent or given to security holders:
09 September 2021
10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor: **Ignacio B. Gimenez (Chairman)**
Address: **25 Eisenhower Street, Greenhills San Juan City, Metro Manila**
11. 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, P1.00 par value | Common Stock Outstanding 303,783,241 (as of 31 July 2021) |
12. Are any or all Company's securities listed on a Stock Exchange?
Yes [] No [☒]

WE ARE SOLICITING A PROXY

GENERAL INFORMATION

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

- A. **Date** : 30 September 2021
 Time : 3:30 pm.
 Venue : via Remote connection (details to be posted at <https://www.philequity.net/ASM2021.php>)

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 **09 September 2021**.

Item 2. Dissenter's Right of Appraisal

The Revised Corporation Code of the Philippines, specifically Sections 80 and 81 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 Revised 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 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, have a substantial interest, direct or indirect in any matter to be acted upon other than the election of directors for the year 2021-2022.
- 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 **303,783,241** outstanding common shares as of **31 July 2021**. 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 **01 September 2021**.

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 approved the Company's request for confidential treatment. 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 2021**:

| Class | Name of Director/Officer | Citizenship | No. of Shares | Percentage |
|--------|--------------------------|-------------|---------------|------------|
| Common | Ignacio B. Gimenez | Filipino | 5 | 0.00% |
| Common | Violeta O. Luym | Filipino | 317,115 | 0.10% |
| Common | Dobbin A. Tan | Filipino | 1 | 0.00% |
| Common | Norman L. Wee | Filipino | 15,161 | 0.00% |
| Common | Felipe U. Yap | Filipino | 1,556,875 | 0.51% |
| Common | Aurora L. Shih | Filipino | 1 | 0.00% |
| Common | Ramon Y. Sy | Filipino | 1 | 0.00% |
| TOTAL | | | 1,889,159 | |

(3) Voting Trust Holders of 5% or more

No party holds any voting trust or any similar agreement for 5% or more of the Company's voting securities.

(4) Changes in Control

The Company is not aware of any arrangement that 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 Company are as follows:

| Name | Position | Citizenship | Age | Periods Served |
|----------------------|----------------------|--------------------|------------|-----------------------|
| Ignacio B. Gimenez | Chairman/President | Filipino | 77 | 2006 to present |
| Violeta O. Luym | Director/Treasurer | Filipino | 74 | 1994 to present |
| Aurora L. Shih | Director | Filipino | 80 | 2013 to present |
| Felipe U. Yap | Director | Filipino | 84 | 1994 to present |
| Norman L. Wee | Independent Director | Filipino | 48 | 2014 to present |
| Ma. Angelica Cabanit | Compliance Officer | Filipino | 50 | 2013 to present |
| Jonathan P. Ong | Corporate Secretary | Filipino | 54 | May 2020 to present |
| Antonio R. Samson | Director | Filipino | 75 | For Nomination |
| Daniel A. Onghoco | Independent Director | Filipino | 53 | For Nomination |

The information on the business affiliations and experiences of the following incumbent directors, who are also nominated for election as members of the Board for **2021-2022** to serve a period of one year until their successors shall have qualified, and officers of the Company are current and/or within the past five years.

In addition, the Company nominated Mr. Daniel A. Onghoco to serve as Independent Director to fill the expiring term of Mr. Dobbin Tan with 1 (one) share of stock.

Ignacio B. Gimenez

Mr. Gimenez is the Chairman and President of the Fund. Mr. Gimenez is the Chairman of Philequity Management, Inc. He is also the Chairman and President of the following mutual fund: Philequity Dollar Income Fund, Inc., Philequity PSE Index Fund, Inc., Philequity Peso Bond Fund, Inc., (1999 to present), Philequity Dividend Yield Fund (2012 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).

Violeta O. Luym

Ms. Luym has been a Director and Treasurer of the Fund since 1994. She is also currently a director of the following corporations: (a) Vantage Equities, Inc. (2003 - present) (b) BDO Capital & Investment Corporation (1998 – present) and (c) Tangiers Resources Corporation (1997 – present). She is the Chairman of the Board of BDO Financial Services, Inc. (1998 – present) and was a director of Banco de Oro Universal Bank from 1967 to 2006. She holds a Masters Degree in Business Administration from the University of California Los Angeles and a Bachelor of Science Degree in Business Administration from the Assumption College.

Felipe U. Yap

Mr. Yap is a Director of the Fund. Since 1988 until the present year, he is the Chairman of the Board and Chief Executive Officer of Lepanto Consolidated Mining Company, Lepanto Investment & Development Corporation, DiamantBoart Philippines, Inc., Diamond Drilling Corporation of the Philippines, Far Southeast Gold Resources, Inc., and Shipside, Inc. He is the Chairman of the Board of First-Lepanto Taisho Insurance Corporation (1989-present), Lepanto Ceramics, Inc. (1990-present), and Prime Orion Philippines, Inc. (2000-present), Yapster e-Conglomerate (2000-present), and Zeus Holdings, Inc. (2001-present). He is the President of BA-Lepanto Condominium Corporation (1988-present) and Director of the following Philippine Corporation namely: Cyber Bay Corporation (2000-present), Manila Peninsula Hotel, Inc. (1994-present), Philippine Associated Smelting and Refining Corporation (2000-present), Philippine Fire and Marine Insurance Corporation (1988-present). Until 2006, he was Chairman of the Board of Pepsi Cola Products Phils., Inc. and a director of South China Petroleum & Exploration, Inc. He also holds membership in the following organizations: Management Association of the Philippines, The

Conference Board, and Makati Business Club. He holds a degree in B.S. Philosophy from the University of San Carlos, Cebu City.

Aurora L. Shih

Ms. Shih is currently the Director and Treasurer of the following Companies: International Copra Export Corporation, InterCo Manufacturing Corporation, ICEC Insurance Company, Inc. She is also a Director of Luys Securities Company, Inc. and ICEC Land Corporation. Ms. Shih graduated from the Ateneo de Zamboanga and University of the East.

Antonio R. Samson

Mr. Samson is currently the President of the Manila Chamber Orchestra Foundation and the Metropolitan Museum and the Chairman of the Advertising Foundation (2001 to present). He is also a columnist of Business World and Business Day Magazine. He holds a Bachelor's degree in Economics from the Ateneo de Manila University (1966) and Masters of Business Administration from Asian Institute of Management (1971).

Daniel A. Ongchoco (Nominee for Independent Director)

Mr. Ongchoco, Filipino, is the Chairman & CEO of Synermaxx Corp (2006-present), King Boone Enterprise Unlimited, Inc (2002-present), and King Boone Ventures, Inc (1993-present). He also serves as the President & Managing Director of Gardner College (1995-present), President of GNO Tech Resources, Inc., (2001-present) and Executive Chairman of Gates Professional Schools (2011-present) and Global Quality Education Providers, Inc. (2005-present). He is also the Vice President and Deputy Managing Director of Alco Business Corporation (1994-present) and sits as an Independent Director of Philippine Nutri-Foods Corp. (2009-present) and Health & Development Solutions, Inc. (formerly NCP Publishing Corp.) (2009-present).

Norman L. Wee (Independent Director)

Mr. Wee is the Independent Director of 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 Chief Financial Officer of W Group Inc. and Chief Financial Officer of W Landmark Inc. He is also a Director and Vice President of W Hydrocolloids Inc. Mr. Wee holds a Bachelor's Degree in AB Management from De La Salle University College of St. Benilde.

Jonathan Ong

Atty. Jonathan P. Ong obtained his Bachelor of Science (Economics) degree from the U.P. School of Economics on April 2, 1989 and his Bachelor of Laws degree from the U.P. College of Law on April 24, 1993. He took the bar examinations in September 1993 and was admitted to the Philippine Bar on March 15, 1994. He joined the law firm of Atty. Mario E. Ongkiko sometime in 1994. In June 1996 he became in-house counsel of the erstwhile International Exchange Bank until August 31, 2006. He then joined Maybank Philippines (MPI) in May 2007, a position which he held until July 19, 2019. He was also the Corporate Secretary of the affiliates of MPI in the Philippines – Philmay Property, Inc. and Philmay Holdings, Inc. He is currently special counsel to the Disini Buted and Disini law offices, which he advises on matters involving banking and litigation, and a senior associate at the Valerio Law Offices. He is also currently the Corporate Secretary of Kinderheim, Inc., a small family owned educational institution.

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

All nominations for the Fund's Board of Directors are 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 persons nominated are, in turn, elected during the annual stockholders' meeting to serve for a term of one year until their successors shall have been duly elected and qualified.

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 will likewise be 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), Norman L. Wee and Ms. Violeta O. Luym.

Independent Directors

Pursuant to principles of good corporate governance, the Company currently has two (2) independent directors. As used in Section 38 of the Securities Regulations Code (SRC), an independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Company. Each independent director of the Company shall submit to the Corporate Secretary a letter of confirmation stating that he holds no interest affiliated with the Company, management or the Company's substantial shareholders at the time of his election or appointment and/or re-election as a director.

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 Mr. Daniel Ongchoco (by Mr. Felipe U. Yap) and Mr. Norman L. Wee (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 Revised 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 person, nominated by the Company to become directors or executive officers of the Company.

D. Material Pending Legal Proceedings

Except as provided below, 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 five (5) 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.

In May, 2013, the BIR filed a P169.83M case for tax evasion against Philmay Property, Inc. (PPI) an affiliate of Maybank Philippines, Inc. Included in the case were its President and CEO – Mr. Ong Seet Joon, Treasurer – Atty. Rafael A. Morales, Corporate Secretary – Atty. Jonathan P. Ong, Sales and Marketing Head – Mr. Benjamin Q. Lira and Accounting Associate Michelle F. Reyes. The case arose from PPI’s supposed tax deficiencies, as follows: tax deficiencies, including surcharge and interest: P37.81 million in income tax deficiency P73.13 million in value-added tax deficiencies P15.57 million in documentary stamp tax deficiency P43.32 million in expanded withholding tax. The proceedings in the DOJ were suspended because PPI questioned the assessments on which the tax evasion case was based on with the Court of Tax Appeals (CTA). On May 23, 2018 the CTA second division issued a decision cancelling and withdrawing the assessments on which the tax evasion case of the BIR was based on, but ordered PPI to pay the amount of P276,381.24 as deficiency DST for fiscal year 2009, plus interest and surcharges, which it did. The BIR filed a motion for reconsideration but it was denied. The BIR elevated the decision of the CTA 2nd division to the CTA en banc. On February 5, 2020 the CTA en banc affirmed with modification the decision of the CTA 2nd Division and declared the assessments on which the BIR’s case for tax evasion was based on as null and void. The BIR appealed this to the Supreme Court in February 2020.

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

During the last two (2) years, the Company has not been a party to any transaction or proposed transaction, in which any director, executive officer or nominee for election as a director of the Company or any security holder owning 5% or more of the securities of the Company or any member of the immediate family of such persons, had a direct or indirect material interest. Further, the Company is not under the control of any parent 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 3.50% of the gross investment based on tiered-front end sales schedule.

Related party transactions and balances with PEMI as of and for the years ended December 31, 2020, 2019, and 2018 are as follows:

| | Management Fee | Sales Commission | Due to PEMI |
|------|----------------|------------------|-------------|
| 2020 | 162,527,702 | 541,540 | 13,490,675 |
| 2019 | 199,714,724 | 746,367 | 14,229,593 |
| 2018 | 196,650,932 | 1,788,645 | 114,222,857 |

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.

The total number of shares held by directors P2.22million as of December 31, 2020, P2.22 million as of December 31, 2019 and P2.22 million as of December 31, 2018.

Directors' fee amounted to P1.51 million, P1.62 million and P1.38 million in 2020, 2019, and 2018, respectively.

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 other than per diem for each meeting attended and an annual per diem during stockholders' meeting.

| NAME & PRINCIPAL POSITION | YEAR | SALARY | BONUS | OTHER ANNUAL COMPENSATION |
|---|------|--------|-------|---------------------------|
| Ignacio B. Gimenez <i>Director/Chairman/President</i> | | | | |
| Violeta O. Luym <i>Director/Treasurer</i> | | | | |
| Jonathan P. Ong <i>Corporate Secretary</i> | | | | |
| Dobbin A. Tan Norman L. Wee Felipe U. Yap Aurora L. Shih Ramon Y. Sy <i>Directors</i> | | | | |
| All directors as a group unnamed | 2021 | none | none | none |
| | 2020 | none | none | none |
| | 2019 | none | none | none |
| | 2018 | none | none | none |
| | 2017 | none | none | none |
| | 2016 | none | none | none |

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. Felipe U. Yap 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-appointment 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. Ms. Vicky B. Lee-Salas was assigned as SGV's engagement partner for the Fund in 2011. Mr. Michael C. Sabado was the partner in charge for the year 2017 and Mr. Juan Carlo B. Maminta for 2018 up to 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 | 2020 | 2019 |
|---|-------------|-------------|
| 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. | 352,196 | ₱343,606 |
| 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.

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 2020 Operations and Results, (6) Ratification of all Acts of the Board of Directors and Officers, (7) Election of Directors, (8) Appointment of External Auditors, Delegation to the Board of Directors of the Power to Amend or Repeal Any By-Laws or Adopt New By-Laws, (10) Other Matters, (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 and the financing activities of the Company.

The proposal to amend the Company's By-Laws to allow Board and Stockholders meetings to be conducted through teleconferencing, videoconferencing and other remote or electronic means of communication gives board members and stockholders reasonable opportunity to those who cannot physically attend the meeting.

The proposal to amend the Company's By-Laws to set the quorum for meetings at 10% will ensure that matters that forms part of the normal course of business are attended to, save and except for matters where a vote of a greater proportion is required by the Revised Corporation Code or any other governing law.

The proposal to amend the Company's By-Laws to move the date of the annual Stockholders' meeting from within 6 months of Calendar year to the Third Quarter of the Calendar Year allows the company ample time to prepare for meetings.

Item 19. Voting Procedures

Given the restrictions posed by the COVID-19 pandemic and for the safety of stockholders, the company shall conduct its meeting virtually.

Stockholders of record who intend to participate in the meeting through remote communication shall notify the Corporate Secretary by sending an email to asm@philequity.net before 20 September 2021. Stockholders may exercise the right to vote through remote communication or in absentia, subject to validation.

Stockholders of record who intend to appoint a proxy shall submit their duly executed and signed proxies no later than 20 September 2021. All proxies should be received by the Corporation via mail or email at least ten (10) days before the meeting, or on or before 20 September 2021. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

Successfully registered stockholders can cast their votes and will be provided access to the meeting. All documents and information submitted shall be subject to verification and validation by the Office of the Corporate Secretary.

Each stockholder shall be entitled to one (1) vote, in person or in absentia 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 in absentia 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.

Stockholders may pose questions prior to or during the meeting by sending an email to asm@philequity.net.

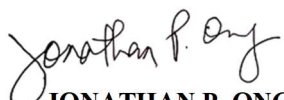
Items 8, 9, 10, 11, 12, 13,14 and 17are not responded to in this report, the Company having no intention to take any action with respect to the information required therein.

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 25 August 2021.

PHILEQUITY FUND, INC.

By:


JONATHAN P. ONG
Corporate Secretary

PHILEQUITY FUND, INC.

BUSINESS

A. The Fund's Incorporation

On February 21, 1994, Philequity Fund Inc. (PEFI or the "Fund") was organized under the rules of the Investment Company Act No. 2629 and the Corporation Code through the initiative of the following persons: Wilson L. Sy, Alfredo C. Ramos, Ignacio B. Gimenez, Willy N. Ocier, Felipe U. Yap, Leo McGuire Garcia, Roberto Z. Lorayes, Ronaldo S. Salonga, Antonio Y. Tee, Antonio T. Ong, Aurora L. Shih, Harry G. Liu, Carmelita C. Yao, Tony O. King and Eddie T. Gobing. PEFI 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

As an open-end mutual fund, PEFI's investment objective is to seek long-term capital appreciation through investment primarily 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 intends to invest its assets in a variety of Philippine industries to achieve diversification, but will act as such within the provision of applicable laws and regulations.

Inherent in any kind of investment are risks. The concept of risk/reward trade-off as translated means the less the risk in a given investment, the less the opportunity for gain. Conversely, the more risk assumed, the greater the potential return. Primarily, the major inherent risks in investing in the equities are the risks of fluctuating prices and the uncertainty of dividends, rates of return and yield.

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 the Fund, providing professional management and technical services. 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. PEFI does not employ any personnel since its administrative and accounting functions are undertaken by PEMI. 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 (1.5%) 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 (3.5%) of the gross investment based on tiered-front end sales schedule charged to shareholders.

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

G. Capitalization and Ownership

The Fund's authorized capital is P1.0 B divided into one 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 to, 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 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.

G. 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 boost 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, PEFI expects limited capital investment by shareholders in the near future.

H. Size and Strength of the Fund's Competitors

The Philippine mutual fund industry continues to grow with 64 funds as of December 2020 according to data tracked by the Philippine Investment Funds Association. The industry continues to benefit from increased public interest on alternative investments that have higher yields over regular savings accounts and time deposits. While industry net assets grew 27% to P358 billion from P282 billion a year ago, it was nevertheless another challenging year for capital markets as volatility remained very high.

The industry is divided into 5 categories – stock, bond, balanced, money market, and feeder funds. Majority of total assets under management (AUM) is invested in money market funds (37%), stock funds (31%) and bond funds (23%) funds which make up 90% of total market share. Philequity Management, Inc. (PEMI) only offers seven funds to the public -- Philequity Fund, Inc. (PEFI), Philequity PSE Index Fund, Inc. (PPSE), Philequity Dividend Yield Fund, Inc. (PDYF), Philequity MSCI Philippines Index Fund, Inc. (PMPI), Philequity Alpha One Fund, Inc. (PAOF), Philequity Peso Bond Fund, Inc. (PPBF), and Philequity Dollar Income Fund, Inc. (PDIF) which only competes against other stock and bond funds.

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 outperforms its respective benchmark.

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 Fund, Inc. has no properties under its fixed assets accounts.

LEGAL PROCEEDINGS

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

OPERATIONAL AND FINANCIAL INFORMATION

MARKET FOR COMMON EQUITY and RELATED STOCKHOLDERS MATTERS

A. Fund Performance

Philequity Fund, Inc. offers its investors above-average returns ever since its inception in February 1994. Below is the historical performance of the Fund in comparison with the performance of the Phisix:

Calendar Year Returns (%)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|-------------|-------|--------|---------|--------|--------|--------|
| PEFI | -8.25 | 3.45% | -10.86% | 23.30% | -1.33% | -9.17% |
| PSEi | -8.64 | -4.86% | -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 PEFI's ability to pay dividends on common equity.

Below is the comparative tabulation of the Fund's Net Asset Value per share since 2001.

| Year | 1st Quarter | | 2nd Quarter | | 3rd Quarter | | 4th Quarter | |
|------|-------------|---------|-------------|---------|-------------|---------|-------------|---------|
| | High | Low | High | Low | High | Low | High | Low |
| 2020 | 37.9806 | 23.808 | 31.9994 | 26.7191 | 31.0265 | 28.2965 | 35.3723 | 29.0301 |
| 2019 | 39.5125 | 36.7409 | 39.6824 | 36.9989 | 40.8645 | 37.9011 | 39.853 | 36.8225 |
| 2018 | 43.0113 | 38.5443 | 39.1166 | 34.4792 | 38.6093 | 35.1144 | 37.6666 | 34.1332 |
| 2017 | 35.3835 | 33.3592 | 38.3427 | 35.3361 | 39.7603 | 37.6846 | 41.0954 | 39.153 |
| 2016 | 35.1773 | 30.0197 | 36.9945 | 33.7638 | 38.4222 | 36.4338 | 37.1742 | 32.2759 |
| 2015 | 39.1924 | 37.1847 | 39.8522 | 35.9964 | 37.4746 | 33.2113 | 35.6679 | 32.8404 |
| 2014 | 31.7233 | 28.8308 | 34.3728 | 31.9738 | 37.2773 | 34.1075 | 37.5935 | 34.9716 |
| 2013 | 33.4805 | 28.8633 | 35.8884 | 29.0832 | 32.9004 | 28.6659 | 32.2712 | 28.3083 |
| 2012 | 25.1819 | 21.565 | 26.2736 | 23.9044 | 26.5615 | 25.2568 | 28.7683 | 26.1498 |
| 2011 | 20.374 | 18.3482 | 21.0937 | 20.1073 | 22.2426 | 18.1394 | 21.5542 | 18.7387 |
| 2010 | 14.2118 | 12.203 | 20.8607 | 13.9687 | 19.5035 | 14.9622 | 20.8645 | 19.0837 |
| 2009 | 8.7706 | 7.7698 | 11.0682 | 8.5163 | 12.609 | 10.3747 | 13.3091 | 7.5262 |
| 2008 | 13.4082 | 10.8096 | 11.6073 | 9.9279 | 10.7882 | 9.4038 | 10.1968 | 7.5262 |
| 2007 | 12.4825 | 10.1366 | 13.5468 | 11.7883 | 13.7597 | 10.4898 | 13.6007 | 12.1971 |
| 2006 | 8.2800 | 7.4000 | 9.9400 | 8.2700 | 9.7900 | 8.9100 | 11.3100 | 9.7200 |
| 2005 | 8.1548 | 6.4546 | 7.381 | 6.7446 | 7.0451 | 3.3638 | 7.5654 | 6.8442 |
| 2004 | 5.4475 | 4.9667 | 5.4957 | 5.0309 | 5.9101 | 5.3664 | 6.5563 | 5.4369 |
| 2003 | 3.8998 | 3.6932 | 4.4522 | 3.8068 | 4.5976 | 4.3254 | 5.0435 | 4.5503 |
| 2002 | 4.3518 | 3.94 | 4.2638 | 4.0667 | 4.1584 | 3.66 | 3.7752 | 3.596 |
| 2001 | 3.9299 | 3.76 | 3.9344 | 3.7828 | 3.9623 | 3.7553 | 3.943 | 3.6408 |

**The Fund's NAVPS are reported to Philippine Investment Fund Association and published daily in Business World.*

B. Holders

The number of common shareholders of record as of December 31, 2020 is 38,632. Common shares outstanding as of December 31, 2020 are 306,494,903. 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, 2020.

C. Dividends

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

ITEM 6. MANAGEMENT ANALYSIS AND DISCUSSION

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

As of June 30, 2021

Financial Condition and Liquidity

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

| | | June 30, 2021 | December 31, 2020 |
|------------------------------|--|---------------|-------------------|
| Current Ratio | Current Asset/Current Liabilities | 12459.30% | 11999.42% |
| Acid Test Ratio | (Cash Eq + Marketable Securities + Receivables)/ Current Liabilities | 12459.30% | 11999.42% |
| Solvency Ratio | Net Income/Total Liabilities | -268.31% | -990.34% |
| Debt-to-Equity Ratio | Total Liabilities/Total Equity | 0.81% | 0.84% |
| Asset-to-Equity Ratio | Total Assets/Total Equity | 100.81% | 100.84% |
| Interest Rate Coverage Ratio | EBIT/Interest Expense | -2.12% | -8.02% |
| Return on Assets | Net Income/Average Total Asset | -2.14% | -8.07% |
| Return on Equity | Net Income/Average Total Equity | 54.97% | 78.15% |
| Net Profit Margin | Gross Profit/Net Income | 12459.30% | 11999.42% |

Financial Highlights

| | Unaudited June 30, 2021 | Audited December 31, 2020 | Increase/ (Decrease) | Percentage |
|----------------------|----------------------------|---------------------------------|-------------------------|------------|
| Balance Sheet | | | | |
| Total Assets | 10,434,357,719 | 10,746,334,975 | (311,977,256) | -2.90% |
| Total Liabilities | 83,747,572 | 89,557,150 | (5,809,578) | -6.49% |
| Total Equity | 10,350,610,147 | 10,656,777,825 | (306,167,678) | -2.87% |

Total assets decreased by 2.90% mainly because of decrease in market value of investments in equity securities.

Decrease of 6.49% in total liabilities is mainly due to subscriptions confirmed and reclassified to equity from accounts payable to shareholders for unpaid redemption proceeds and subscriptions.

| | For the Period Ended | | Increase/ (Decrease) | Percentage |
|-------------------------|----------------------|-----------------|-------------------------|------------|
| | June 30, 2021 | June 30, 2020 | | |
| Income Statement | | | | |
| Investment Loss | (123,544,915) | (2,139,454,476) | (2,015,909,561) | -94.23% |
| Expenses | 101,190,847 | 98,901,988 | 2,288,859 | 2.31% |
| Net Loss | (224,735,762) | (2,238,356,464) | (2,013,620,702) | -89.96% |

Investment income (loss) - For the period ended June 30, 2021, the Fund incurred a total investment loss of PHP123.54M from PHP2.139B loss of same period of last year. Decrease in investment loss pertain to improvement in the market value of securities.

Operating expense – Comparing this year and last year’s operating expenses, there was a increase in commission and taxes from selling of equities.

Comprehensive income (loss) – the Fund incurred a loss of PHP224M as of June 30, 2021 compared to net loss of PHP2.238B of same period of last year.

Cash Flow

Cash and cash equivalents decreased by PHP55M as of the period June 30, 2021.

Changes in Net Assets

Below is a summary of fund’s activity for the 2nd quarter ended June 30, 2021:

| Total Amount from Sales and Redemption of Shares | |
|--|--------------|
| Total amount received for the semester | 340,378,469 |
| Total amount of redemptions for the semester | 421,671,083 |
| | |
| Shares Issued and Outstanding | |
| Beginning Balance - December 31, 2020 | 306,494,903 |
| Shares sold during the semester | 10,191,470 |
| Shares redeemed during the semester | (12,528,683) |
| Ending Balance - June 30, 2021 | 304,157,690 |

Business Analysis:

As of June 2021, the mutual fund industry grew by 6% from the previous quarter to P391 billion in net assets. Quarter-on-quarter, feeder funds grew the most by 50% followed by stock funds which grew by 9% and money market funds which grew by 6%. Stock funds brought in P1.8 billion in net subscription, P1.1 billion or 60% of which were subscriptions to index funds. The Philequity Fund continued to see net redemptions, P76 million for this quarter. The fund however increased its net assets by 6% to P10.4 billion quarter-on-quarter as the Philippine Stock Exchange Index soared 7% for the same period. The PSEi rose on the back of lower COVID19 positive cases, LGUs gaining momentum in mass inoculations, and prospects of vaccines arriving in the millions in the coming months. The fund however remains cautious as there is growing concern of the highly transmissible Delta variant which is currently wreaking havoc globally and forcing some

countries such as Indonesia and Australia to reinforce lockdown measures. While the country has so far not detected the variant in our shores, strong border control, swift contact tracing and strict quarantine measures should be enforced to maintain the PSEi's ascent. The fund expects continued volatility moving forward as any news related to COVID19 can have a significant impact on market movement. The fund will continue to closely monitor the government's response to the pandemic and how it will affect corporate earnings, GDP and inflation

Top Five (5) Indicators

Philequity 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 PEFI, 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 PEFI. A negative forecast on the other hand, is bearish for stocks and PEFI.
- (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 PEFI. Similarly, a low market P/E Ratio is a signal that it is worth increasing PEFI'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 PEFI.

| | | 2021 | | 2020 | |
|---|-------------|----------------------------|-------------|--------------------------------|--|
| PHISIX | End of June | 6,901.91 | End of June | 6,207.72 | |
| GNP growth | For 2Q | 6.6% | For 2Q | -17.6% | |
| GDP growth | For 2Q | 11.8% | For 2Q | -16.5% | |
| P/E Ratio | End of June | 23.98 | End of June | 20.33 | |
| Foreign Buying and Selling (Net flow in billion PHP) | For 2Q | Net foreign SELL 21.98B | For 2Q | Net foreign SELL PhP 34.32B | |

PART II – OTHER INFORMATION

PFRS 9 – Financial Instruments: Recognition and Measurement

The implementation of PFRS 9 in 2020 has no significant impact on the Funds balance sheet because it has been measuring its financial assets at fair value.

PHILEQUITY FUND, INC.
OTHER RATIOS REQUIRED FOR MUTUAL FUNDS

| | | June 30, 2021 | June 30, 2020 |
|--|---|---------------|---------------|
| Percentage of Investment in a single enterprise to Net Asset Value: | | | |
| AC | Ayala Corporation | 7.33% | 7.74% |
| ACEN | AC Energy Philippines, Inc. | 0.37% | 0.00% |
| AEV | Aboitiz Equity Ventures | 3.03% | 3.17% |
| AGI | ALLIANCE GLOBAL INC | 1.01% | 0.76% |
| ALI | Ayala Land, Inc. | 8.01% | 7.11% |
| ALI-PS | Ayala Land, Inc. - Preferred shares | 0.01% | 0.01% |
| AP | Aboitiz Power Corp. | 0.58% | 0.66% |
| APVI | Altus Property Ventures, Inc. | 0.01% | 0.02% |
| BDO | BDO Unibank, Inc. | 6.12% | 5.56% |
| BLOOM | BLOOMBERRY RESORTS CORPORATION | 0.12% | 0.00% |
| BPI | Bank of the Phil. Island | 4.83% | 5.07% |
| CEB | Cebu Air, Inc. | 0.03% | 0.11% |
| CNVRG | Converge Information and Communications Technol | 1.35% | 0.00% |
| DMC | DMCI Holdings, Inc. | 0.19% | 0.17% |
| DNL | D&L Industries Inc | 0.30% | 0.21% |
| EAGLE | Eagle Cement Corporation | 0.00% | 0.00% |
| EEI | Engineering Equip. Inc. | 0.07% | 0.05% |
| EMP | Emperador Inc. | 0.07% | 0.00% |
| EW | East West Banking Corp | 0.04% | 0.03% |
| FB | San Miguel Food and Beverage, Inc. | 0.02% | 0.02% |
| FGEN | First Gen Corporation | 0.30% | 0.01% |
| FLI | Filinvest Land Inc. | 0.35% | 0.35% |
| GLO | Globe Telecom, Inc. | 1.40% | 1.75% |
| GTCAP | GT CAPITAL HOLDINGS INC. | 0.84% | 1.03% |
| HOME | AllHome Corp. | 0.09% | 0.00% |
| ICT | Intl. Cont. Terminal Serv. Inc. | 5.93% | 3.22% |
| JFC | Jollibee Foods Corp. | 3.66% | 0.86% |
| JGS | J.G. Summit Holdings Corp. | 4.69% | 4.54% |
| LTG | LT Group, Inc. | 0.42% | 0.29% |
| MAC | MacroAsia Corporation | 0.00% | 0.04% |
| MBT | Metro Bank & Trust Co. | 3.40% | 2.25% |
| MEG | Megaworld Prop. & Holdings, Inc. | 1.30% | 0.95% |
| MER | MERALCO | 1.09% | 1.03% |
| MPI | METRO PACIFIC INVESTMENTS CORP. | 1.68% | 2.16% |
| MONDE | Monde Nissin Corporation | 0.29% | 0.00% |
| MWC | Manila Water Co Inc | 0.62% | 0.06% |
| NIKL | NICKEL ASIA CORP. | 0.74% | 0.03% |
| PCOR | Petron Corporation | 0.02% | 0.03% |
| PGOLD | PUREGOLD PRICE CLUB, INC. | 0.84% | 0.37% |
| PIP | Pepsi-Cola Products Philippines, Inc. | 0.00% | 0.00% |
| PLC | Premium Leisure Corp | 0.01% | 0.01% |
| PNB | Philippine National Bank | 0.09% | 0.09% |
| RLC | Robinson Land Corp. | 0.90% | 1.00% |
| RRHI | ROBINSONS RETAIL HOLDINGS INC | 0.23% | 0.06% |
| SCC | Semirara Mining Corp. | 0.00% | 0.16% |
| SECB | Security Bank Corp. | 1.74% | 1.30% |
| SM | SM Investment Corp. | 13.97% | 13.60% |
| SMC | San Miguel Corporation | 1.21% | 1.15% |
| SMPH | SM Prime Holdings, Inc. | 9.02% | 8.09% |
| SSI | SSI Group, Inc. | 0.04% | 0.04% |
| TEL | Phil. Long Dis Tel Co. | 3.01% | 3.59% |
| URC | Universal Robina | 3.05% | 4.43% |
| VLL | Vista Land & Lifescapes, Inc | 0.36% | 0.22% |
| WLCON | Wilcon Depot, Inc. | 0.04% | 0.03% |
| CEBCP | Cebu Air, Inc. Convertible Preferred Shares | 0.08% | 0.00% |

| | | June 30, 2021 | June 30, 2020 |
|---|--|------------------|------------------|
| Total Investment of the Fund to the Outstanding Shares of an Investee Company: | | | |
| AC | Ayala Corporation | 0.15% | 0.15% |
| ACEN | AC Energy Philippines, Inc. | 0.02% | 0.00% |
| AEV | Aboitiz Equity Ventures | 0.13% | 0.12% |
| AGI | ALLIANCE GLOBAL INC | 0.11% | 0.11% |
| ALI | Ayala Land, Inc. | 0.16% | 0.13% |
| ALI-PS | Ayala Land, Inc. | 0.10% | 0.10% |
| AP | Aboitiz Power Corp. | 0.03% | 0.03% |
| APVI | Altus Property Ventures, Inc. | 0.04% | 0.04% |
| BDO | BDO Unibank, Inc. | 0.13% | 0.12% |
| BLOOM | BLOOMBERRY RESORTS CORPORATION | 0.02% | 0.00% |
| BPI | Bank of the Phil. Island | 0.12% | 0.15% |
| CEB | Cebu Air, Inc. | 0.01% | 0.04% |
| CNVRG | Converge Information and Communications Technology | 0.08% | 0.00% |
| DMC | DMCI Holdings, Inc. | 0.02% | 0.03% |
| DNL | D&L Industries Inc | 0.05% | 0.05% |
| EAGLE | Eagle Cement Corporation | 0.00% | 0.00% |
| EEI | Engineering Equip. Inc. | 0.09% | 0.09% |
| EMP | Emperador Inc. | 0.00% | 0.00% |
| EW | East West Banking Corp | 0.02% | 0.02% |
| FB | San Miguel Food and Beverage, Inc. | 0.00% | 0.00% |
| FGEN | First Gen Corporation | 0.03% | 0.00% |
| FLI | Filinvest Land Inc. | 0.13% | 0.13% |
| GLO | Globe Telecom, Inc. | 0.06% | 0.06% |
| GTCAP | GT CAPITAL HOLDINGS INC. | 0.07% | 0.10% |
| HOME | AllHome Corp. | 0.03% | 0.00% |
| ICT | Intl. Cont. Terminal Serv. Inc. | 0.18% | 0.15% |
| JFC | Jollibee Foods Corp. | 0.16% | 0.05% |
| JGS | J.G. Summit Holdings Corp. | 0.10% | 0.09% |
| LTG | LT Group, Inc. | 0.03% | 0.03% |
| MBT | Metro Bank & Trust Co. | 0.16% | 0.13% |
| MEG | Megaworld Prop. & Holdings, Inc. | 0.13% | 0.09% |
| MER | MERALCO | 0.04% | 0.03% |
| MPI | METRO PACIFIC INVESTMENTS CORP. | 0.15% | 0.17% |
| MONDE | Monde Nissin Corporation | 0.01% | 0.00% |
| MWC | Manila Water Co., Inc. | 0.17% | 0.02% |
| NIKL | Nickel Asia Corporation | 0.10% | 0.01% |
| PCOR | Petron Corporation | 0.01% | 0.01% |
| PGOLD | PUREGOLD PRICE CLUB, INC. | 0.07% | 0.03% |
| PLC | Premium Leisure Corp | 0.01% | 0.01% |
| PNB | Philippine National Bank | 0.00% | 0.03% |
| RLC | Robinson Land Corp. | 0.10% | 0.10% |
| RRHI | Robinsons Retail Holdings, Inc. | 0.03% | 0.01% |
| SCC | Semirara Mining Corp. | 0.00% | 0.03% |
| SECB | Security Bank Corp. | 0.20% | 0.16% |
| SM | SM Investment Corp. | 0.12% | 0.11% |
| SMC | San Miguel Corporation | 0.04% | 0.04% |
| SMPH | SM Prime Holdings, Inc. | 0.09% | 0.08% |
| SSI | SSI Group, Inc. | 0.11% | 0.11% |
| TEL | Phil. Long Dis Tel Co. | 0.11% | 0.12% |
| URC | Universal Robina | 0.10% | 0.14% |
| VLL | Vista Land & Lifescapes, Inc | 0.08% | 0.04% |
| WLCON | Wilcon Depot, Inc. | 0.00% | 0.00% |
| CEBCP | Cebu Air, Inc. Convertible Preferred Shares | 3.18% | 0.00% |
| Total Investment in Liquid or Semi-Liquid Assets to Total Assets | | 99.64% | 97.13% |
| Percentage of Operating Expense to the Average daily Average Net | | 1.01% | 0.80% |
| Total Assets to Total Borrowings | | 12459.30% | 23885.46% |

The Fund's average daily net asset value as of June 30, 2021 and June 30, 2020 is Php10,060,757,948 and Php9,458,534,487.45, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

As of December 31, 2020

| In MillionsPhp | 2020 | 2019 | 2018 |
|---|-----------|-----------|------------|
| Balance Sheet | | | |
| Assets | 10,746.33 | 11,382.89 | 11,311.28 |
| Liabilities | 89.56 | 49.11 | 80.53 |
| Stockholder's Equity | 10,656.77 | 11,333.78 | 11,217.55 |
| Book Value Per Share | 34.77 | 37.90 | 36.63 |
| Income Statement | | | |
| Income | (693.16) | 644.92 | (1,097.94) |
| Expenses | 193.76 | 239.07 | 255.09 |
| Net Income (Loss) | (886.92) | 405.85 | (1,353.03) |
| Earnings (Loss) per Share (using Weighted Average number of Outstanding Shares) | (2.9052) | 1.34 | (4.41) |

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.

| | December 31, 2020 | December 31, 2019 |
|------------------------------|-------------------|-------------------|
| Current Ratio | 11999.42% | 23178.22% |
| Acid Test Ratio | 11999.42% | 23178.22% |
| Solvency Ratio | -990.34% | 826.41% |
| Debt-to-Equity Ratio | 0.84% | 0.43% |
| Asset-to-Equity Ratio | 100.84% | 100.43% |
| Interest Rate Coverage Ratio | N/A | N/A |
| Return on Assets | -8.02% | 3.58% |
| Return on Equity | -8.07% | 3.60% |
| Net Profit Margin | 78% | 159% |

ANALYSIS AND BUSINESS OUTLOOK

2020 was a turbulent year for stocks, headlined by coronavirus which spread from China to the rest of the world. To support their respective economies, central banks lowered interest rates to levels not seen since the 2008 crisis. Central banks accommodated lower rates, cut RRR ratios to adjust for inflation and to ensure that their respective countries would be able to bounce back from the pandemic. Economies shut down early in the year to curb the spread of the virus. In the Philippines, President Duterte placed Metro Manila under lockdown in March as the virus spread in the NCR. Central Business Districts such as BGC and Makati were hit hardest from the virus with BGC becoming an

early hotspot. To combat this, governments passed legislations as support such as stimulus checks in the US and the Bayanihan Heal As One Act in the Philippines. As the virus ravaged the world, stock markets would take a hit and flows would shift to safer haven assets such as gold and money market funds. Eventually vaccine trials showed promising effects and finally a rollout would ensue towards the end of the year by November and December, first by Pfizer-BioNtTech then by Moderna. Each critical phase of vaccine trials pushed markets higher, pushing the Chinese stock market and US stock market above water for the year. In the Philippines, the PSEi regained some of its losses and eventually closed the year down 8.25%, after falling as much as 49% at the height of the pandemic in March.

We expect another volatile 2021, dictated by how the central bank navigates increasing inflation, oil and commodity prices. The restart of the economy will also be watched as GDP and remittances took a big hit last year. While the peso appreciated in 2020, it remains to be seen how long the Dollar will remain weak. Finally, the government's response to combat the virus and how soon they can rollout the vaccine will be key to recovery and higher bond prices. Economic data such as GDP, remittances, the peso, trade balance and the twin deficits will also be monitored as any sharp and unexpected moves will impact the performance of the fund.

B. Financial Condition

Y2020 compared to Y2019

| Comprehensive Income | Y2020 | Y2019 | Inc/(Dec) | Percent |
|------------------------------|------------------|----------------|-----------------|---------|
| Total Income | (693,159,250.00) | 644,921,825.00 | (1,338,081,075) | -207% |
| Total Expenses | 190,274,135.00 | 231,290,347.00 | (41,016,212) | -18% |
| Net Income before income tax | (883,433,385.00) | 413,631,478.00 | (1,297,064,863) | -314% |

Investment Income

| Investment Income | 2020 | 2019 | Inc/(Dec) | Percent |
|--|----------------------|--------------------|------------------------|--------------|
| Net unrealized gain/(loss) in change of fair value | (431,926,802.00) | 261,728,282 | (693,655,084) | - |
| Net realized gain on sale of financial assets | (425,613,051.00) | 168,916,584 | (594,529,635) | - |
| Dividends | 146,943,085.00 | 175,374,236 | (28,431,151) | -16.21% |
| Interest | 17,437,519.00 | 38,902,723 | (21,465,204) | -55.18% |
| Other Income | - | - | - | 0.00% |
| Total | (693,159,249) | 644,921,825 | (1,338,081,074) | -207% |

The decrease in investment income by 207% as compared to 2019 is greatly attributable to the impairment in market value of equity securities.

Operating Revenues and Expenses

| Expenses Details | 2020 | Y2019 | Inc/(Dec) | Percent |
|--------------------|-----------------------|-----------------------|---------------------|----------------|
| Management fee | 162,527,702.00 | 199,714,724.00 | (37,187,022) | -18.62% |
| Taxes and licenses | 11,643,668.00 | 14,258,125.00 | (2,614,457) | -18.34% |
| Commission Expense | 323,394.00 | 484,638.00 | (161,244) | -33.27% |
| Transaction costs | 11,204,875.00 | 13,249,086.00 | (2,044,211) | -15.43% |
| Directors' fees | 495,748.00 | 864,517.00 | (368,769) | -42.66% |
| Professional fees | 1,511,111.00 | 1,616,111.00 | (105,000) | -6.50% |
| Others | 2,567,637.00 | 1,103,146.00 | 1,464,491 | 132.76% |
| Total | 190,274,135.00 | 231,290,347.00 | (60,207,805) | -24.04% |

The Fund's decrease in total expense of 60.20M or by 24.04% is a result of a lot of factors.

Management fee decreased due to decrease in asset under management by PEMI while taxes and also drops mainly due to lower business tax in 2020 and also decrease in stock transfer tax brought by lesser selling of investments.

| Financial Position | 2020 | Y2019 | Inc/(Dec) | Percent |
|---|-----------------------|-----------------------|----------------------|---------------|
| Financial assets at fair value through profit or loss | 10,036,000,385.00 | 10,542,934,123.00 | (506,933,738) | -4.81% |
| Cash and cash equivalent | 628,070,280.00 | 826,483,051.59 | (198,412,772) | -24.01% |
| Loans and receivables | 82,264,310.22 | 13,475,745.00 | 68,788,565 | 510.46% |
| Other Assets | - | - | - | 0.00% |
| Total Assets | 10,746,334,975 | 11,382,892,920 | (636,557,944) | -5.59% |
| Total Liabilities | 89,557,150.22 | 49,110,299 | 40,446,851 | 82.36% |
| Total Equity | 10,656,777,825 | 11,333,782,620 | (677,004,796) | -5.97% |

Assets

Cash and cash equivalents

This account consists of:

| | 2020 | 2019 | 2018 |
|---------------------|--------------------|-----------------------|-------------------------|
| Cash in banks | 628,070,280 | 326,883,052.00 | 34,811,885.00 |
| Short-term deposits | - | 499,600,000.00 | 1,366,074,437.00 |
| Total | 628,070,280 | 826,483,052.00 | 1,400,886,322.00 |

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

| | 2020 | 2019 |
|---------------------|-------------------|-------------------|
| Due from brokers | 74,823,488 | 7,896,551 |
| Interest receivable | - | 818,310 |
| Dividend receivable | 7,440,822 | 4,760,884 |
| Total | 82,266,330 | 13,475,745 |

Due from broker pertains to receivables from proceeds of equity securities sold but not yet Settled.

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 any time to redeem the outstanding capital stock at Net Asset Value (NAV) per share as follows:

| | June 30, 2021 | December 31, 2020 |
|--|----------------|-------------------|
| NAV attributable to holders of redeemable shares (a) | 10,350,610,148 | 10,656,777,825 |
| Number of shares outstanding (b) | 304,157,690 | 306,494,903 |
| NAV per share (a/b) | 34.0304 | 34.7698 |

Y2019 compared to Y2018**INCOME AND EXPENSES**

| Comprehensive Income | Y2019 | Y2018 | Inc/(Dec) | Percent |
|-----------------------------|--------------|----------------|------------------|----------------|
| Total Income | 644,921,824 | -1,097,941,704 | 1,742,863,528 | -159% |
| Total Expenses | 239,070,890 | 255,089,763 | -16,018,873 | -6% |
| Net Income | 405,850,934 | -1,353,031,467 | 1,758,882,401 | -130% |

Investment Income

| Investment Income | Y2019 | Y2018 | Inc/(Dec) | Percent |
|--|--------------------|-----------------------|----------------------|----------------|
| Net unrealized gain/(loss) in change of fair value | 261,728,281 | -1,762,547,048 | 2,024,275,329 | 114.85% |
| Net realized gain on sale of financial assets | 168,916,584 | 498,747,367 | -329,830,783 | -66.13% |
| Dividends | 175,374,236 | 142,818,863 | 32,555,373 | 22.79% |
| Interest | 38,902,723 | 23,039,114 | 15,863,609 | 68.86% |
| Total | 644,921,824 | -1,097,941,704 | 1,742,863,528 | 158.74% |

The increase in investment income by 158% as compared to 2018 is greatly attributable to the increase in Market valuation of equity securities.

Operating Revenues and Expenses

| Expenses Details | Y2019 | Y2018 | Inc/(Dec) | Percent |
|-------------------------|--------------------|--------------------|--------------------|----------------|
| Management fee | 199,714,724 | 196,650,932 | 3,063,792 | 1.56% |
| Taxes and licenses | 14,258,124 | 31,477,952 | -17,219,828 | -54.70% |
| Commission Expense | 13,249,086 | 17,404,380 | -4,155,294 | -23.87% |
| Transaction costs | 484,638 | 448,702 | 35,936 | 8.01% |
| Directors' fees | 1,616,111 | 1,380,930 | 235,181 | 17.03% |
| Professional fees | 864,517 | 989,853 | -125,336 | -12.66% |
| Others | 1,103,146 | 2,129,191 | -1,026,045 | -48.19% |
| Total | 231,290,346 | 250,481,940 | -19,191,594 | -7.66% |

Taxes and licenses dropped due to lower business tax paid and decrease in stock and transfer tax from lesser selling of securities.

| Balance Sheet | Y2019 | Y2018 | Y2017 | Y2016 | Inc/(Dec) | Percent |
|---|-----------------------|-----------------------|-----------------------|-----------------------|--------------------|----------------|
| Financial assets at fair value through profit or loss | 10,542,934,123 | 9,902,085,951 | 11,621,263,457 | 8,955,122,526 | 640,848,172 | 6.47% |
| Cash and cash equivalent | 826,483,052 | 1,400,886,321 | 815,733,803 | 2,028,898,528 | -574,403,269 | -41.00% |
| Loans and receivables | 13,475,745 | 8,308,699 | 39,556,208 | 104,278,520 | 5,167,046 | 62.19% |
| Other Assets | | 0 | 10,550 | 500 | 0 | #DIV/0! |
| Total Assets | 11,382,892,920 | 11,311,280,971 | 12,476,564,018 | 11,088,300,074 | 71,611,949 | 0.63% |
| Total Liabilities | 49,110,299 | 93,733,154 | 80,526,545 | 152,221,591 | -44,622,855 | -47.61% |

| | | | | | | |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------|-------|
| Total Equity | 11,333,782,621 | 11,217,547,817 | 12,396,037,473 | 10,936,078,483 | 116,234,804 | 1.04% |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------|-------|

Assets

Cash and cash equivalents

This account consists of:

| | 2019 | 2018 | 2017 |
|---------------------|-----------------------|-------------------------|-----------------------|
| Cash in banks | 326,883,052.00 | 34,811,885.00 | 692,033,803.00 |
| Short-term deposits | 499,600,000.00 | 1,366,074,437.00 | 123,700,000.00 |
| Total | 826,483,052.00 | 1,400,886,322.00 | 815,733,803.00 |

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

| | 2019 | 2018 |
|---------------------|-------------------|------------------|
| Due from brokers | 7,896,551 | 0 |
| Interest receivable | 818,310 | 3,764,365 |
| Dividend receivable | 4,760,884 | 4,544,334 |
| Total | 13,475,745 | 8,308,699 |

Due from broker pertains to receivables from proceeds of equity securities sold but not yet Settled.

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:

| | 2,019 | 2,018 |
|--|-----------------------|-----------------------|
| Net asset value attributable to holders of redeemable shares | 11,333,782,621 | 11,217,547,817 |
| Number of shares outstanding | 299,067,115 | 306,219,944 |
| NAV per share | 37.8971 | 36.6323 |

Top Five (5) Indicators

Philequity 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 PEFI, 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 PEFI. A negative forecast on the other hand, is bearish for stocks and PEFI.
- (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 PEFI. Similarly, a low market P/E Ratio is a signal that it is worth increasing PEFI'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 PEFI.

| Key Indicators | | 2019 | | 2018 |
|----------------------------|---------|------------------------|---------|-----------------------|
| PHISIX | End-Dec | 7,815.26 | End-Dec | 7466.02 |
| GNP growth | 4Q | 6.2% | 4Q | 5.2% |
| GDP growth | 4Q | 6.4% | 4Q | 6.41% |
| P/E Ratio | End-Dec | 16.46 | End-Dec | 18.58 |
| Foreign Buying and Selling | 4Q | 18.21B Net Foreign Buy | 4Q | 22.7B Net Foreign Buy |

C. Other matters

There are no events that will trigger direct or contingent financial obligations that are material to the Company. Neither are there material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with entities or persons created during the immediately preceding period.

ANNEXES

Please refer to the following:

Annex A - Certification of Independent Directors

Annex B – Secretary’s Certificate that no directors are connected with the government

Annex C – Annual Report and Company’s audited financial statements as of the period 31 December 2020

Annex D - Company’s second quarter operations results for 2021

Compliance with Manual of Corporate Governance

In compliance with the directive of the Securities and Exchange Commission (“SEC”) under Memorandum Circular No. 6, Series of 2009, the Company submitted its Revised Manual of Corporate Governance on 31 March 2011. 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 complied with the appropriate performance self-rating assessment and performance evaluation system to determine and measure compliance with the Manual of Corporate Governance.

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:

**JONATHAN P. ONG
THE CORPORATE SECRETARY
PHILEQUITY PSE INDEX FUND, INC.
15TH FLOOR, PHILIPPINE STOCK EXCHANGE
5TH AVE. CORNER 28TH STREET, BONIFACIO GLOBAL CITY,
TAGUIG CITY, METRO MANILA**

2021 ANNUAL SHAREHOLDERS' MEETING OF THE PHILEQUITY FUND, INC.

PROPOSAL 1

For election of Directors:

1. Multiply the number of your shares as of September 1, 2021 by seven (7)
2. The result from number one (1) is the number of votes you may distribute among the seven (7) nominees.

For example, if you have 100 shares, you may distribute 700 votes among the nominees in whichever way you choose.

Kindly write the number of votes you wish to confer upon each nominee on the blank space provided beside their names.

If you wish to withhold the authority to vote for any nominee, kindly strikeout their nominee's name by lining through it.

| Election of Directors | Number of Votes |
|---|-----------------|
| Antonio R. Samson | _____ |
| Aurora L. Shih | _____ |
| Felipe U. Yap | _____ |
| Ignacio B. Gimenez | _____ |
| Violeta O. Luym | _____ |
| Daniel A. Ongchoco (Independent Director) | _____ |
| Norman L. Wee (Independent Director) | _____ |

For the proposals below, kindly place an "x" mark on the space provided whether you approve, disapprove or abstain from voting.

| | | Approve | Disapprove | Abstain |
|-------------------|---|---------|------------|---------|
| PROPOSAL 2 | Ratification of the minutes of the previous Annual Stockholders' Meeting held on September 17, 2020 | _____ | _____ | _____ |
| PROPOSAL 3 | Approval of the 2020 Annual Reports and Audited Financial Statements | _____ | _____ | _____ |
| PROPOSAL 4 | Ratification of all acts, proceedings, and resolutions of the Board of Directors and Officers for the year 2020 | _____ | _____ | _____ |
| PROPOSAL 5 | Re-appointment of Sycip Gorres Velayo & Co. as the independent auditor for the year ending December 31, 2021 | _____ | _____ | _____ |
| PROPOSAL 6 | Amendment of By-Laws to Allow Board and Stockholders Meetings to be Conducted Through Teleconferencing, Videoconferencing and Other Remote or Electronic Means of Communication | _____ | _____ | _____ |
| PROPOSAL 7 | Amendment of By-Laws to Set Quorum for Meetings at 10% | _____ | _____ | _____ |
| PROPOSAL 8 | Amendment of the By-Laws to Move the Date of the Annual Stockholders meeting from month of June to the Third Quarter of the Calendar Year | _____ | _____ | _____ |

Note: Each holder of common stock is entitled to one (1) vote per share

Signature of Shareholder/s

Printed Name of Shareholder/s

Place

Date

Philequity Account Number

Philequity Account Name

Number of Shares Held

PLEASE EMAIL/MAIL THIS VOTING TICKET ON OR BEFORE SEPTEMBER 20, 2021

EMAIL: asm@philequity.net

MAIL: 15th Floor, Philequity Management, Inc., PSE Tower, 5th Ave. corner 28th St. BGC, Taguig City

Validation of the voting ticket will be on September 21, 2021

PLEASE MAIL / EMAIL THIS PROXY FORM ON OR BEFORE SEPTEMBER 20, 2021

MAIL: 15th Floor, Philequity Management, Inc., PSE Tower, 5th Ave. corner 28th St. BGC, Taguig City

EMAIL: asm@philequity.net

I/We, hereby nominate, constitute and appoint the Chairman of the Meeting as my/our continuing proxy, with right of substitution and revocation, to represent and vote all shares registered in my/our name or owned by me/us and/or such shares as I/we am/are authorized to represent and vote in my/our capacity as administrator/s, executor/s or attorney/s-in-fact at the annual stockholders' meeting on 30 September 2021, or any and all subsequent regular and special meetings of the stockholders of **Philequity Fund, Inc.** at all adjournments and postponements thereof, as fully to all intents and purposes of acting on the following matters:

PROPOSAL 1

For election of Directors:

- Multiply the number of your shares as of September 1, 2021 by seven (7)
- The result from number one (1) is the number of votes you may distribute among the seven (7) nominees.

For example, if you have 100 shares, you may distribute 700 votes among the nominees in whichever way you choose. Kindly write the number of votes you wish to confer upon each nominee on the blank space provided beside their names. If you wish to withhold the authority to vote for any nominee, kindly strikeout their nominee's name by lining through it.

___ a) Vote equally for all nominees or distribute or cumulate my shares to nominee/s listed below:

| Election of Directors | Number of Votes |
|--|------------------------|
| Antonio R. Samson | _____ |
| Aurora L. Shih | _____ |
| Felipe U. Yap | _____ |
| Ignacio B. Gimenez | _____ |
| Violeta O. Luym | _____ |
| Daniel Ongchoco (Independent Director) | _____ |
| Norman L. Wee (Independent Director) | _____ |

___ b) Withhold authority to vote for all nominees listed above

For the proposals below, kindly place an "x" mark on the space provided whether you approve, disapprove or abstain from voting.

| | Approve | Disapprove | Abstain |
|---|----------------|-------------------|----------------|
| PROPOSAL 2 Ratification of the minutes of the previous Annual Stockholders' Meeting held on September 17, 2020 | _____ | _____ | _____ |
| PROPOSAL 3 Approval of the 2020 Annual Reports and Audited Financial Statements | _____ | _____ | _____ |
| PROPOSAL 4 Ratification of all acts, proceedings, and resolutions of the Board of Directors and Officers for the year 2020 | _____ | _____ | _____ |
| PROPOSAL 5 Re-appointment of Sycip Gorres Velayo & Co. as the independent auditor for the year ending December 31, 2021 | _____ | _____ | _____ |
| PROPOSAL 6 Amendment of By-Laws to Allow Board and Stockholders Meetings to be Conducted Through Teleconferencing, Videoconferencing and Other Remote or Electronic Means of Communication | _____ | _____ | _____ |
| PROPOSAL 7 Amendment of By-Laws to Set Quorum for Meetings at 10% | _____ | _____ | _____ |
| PROPOSAL 8 Amendment of the By-Laws to Move the Date of the Annual Stockholders meeting from month of June to the Third Quarter of the Calendar Year | _____ | _____ | _____ |

Note: Each holder of common stock is entitled to one (1) vote per share

This proxy revokes all proxies which may have been previously executed by the undersigned. This proxy shall be effective until withdrawn by me through notice in writing, or superseded by subsequent proxy, delivered to the Secretary at least ten (10) days before any scheduled meeting, but shall not apply in instances where I personally attend the meeting, nor be effective beyond five (5) years from date hereof.

Executed on _____ at _____
Date Place (City, Country)

Signature of Shareholder/s

Printed Name of Shareholder/s

Shareholder's Contact Number

Philequity Account Number

Philequity Account Name

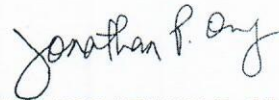
| |
|-------|
| _____ |
| _____ |
| _____ |
| _____ |
| _____ |

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

SECRETARY'S CERTIFICATE

ATTY. JONATHAN P. ONG, of legal age, Filipino, with office address at Valerio and Associates, 17F Petron Megaplaza Building, 358 Sen, Gil Puyat Avenue, Makati City, being duly elected and qualified Corporate Secretary of **PHILEQUITY FUND, INC.**, (the "Corporation"), a corporation organized and existing under the laws of the Philippines, under oath, does hereby certify that based on the information provided to the Corporation by the members of the Board of Directors and principal executive officers, none of said members of the Board of Directors and principal executive officers of the Corporation are presently employed by any agency of the Philippine Government.


IN ATTESTATION OF THE ABOVE, this Certificate has been signed this 25th day of August in Makati City, Metro Manila.



ATTY. JONATHAN P. ONG
 Corporate Secretary

SUBSCRIBED AND SWORN to before me this 25 day of AUG 25 2021 in Makati City, Metro Manila, affiant exhibiting to me his Driver's License No. DI-86-018179 issued on December 28, 2018 in Quezon City as competent evidence of his identity.

Doc No 21 ;
 Page No 6 ;
 Book No 4 ;
 Series 2021.



ATTY. HENRY D. ARANA
 NOTARY PUBLIC CITY OF MANILA
 UNTIL DECEMBER 31, 2021
 NOTARIAL COMMISSION 2020-097 MLA
 IBP NO. 141253 - 01/04/2021, PASIG
 PTR NO. 8020148 - 01/05/2021 MLA
 ROLL NO. 29078, TIN: 172-528-620
 (21) MCLE COMPL. NO. VII-0000165
 URBAN DECA HOMES MANILA, B-2, UNIT 355

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **NORMAN L. WEE**, Filipino, of legal age after having been duly sworn to in accordance with law do hereby declare that:

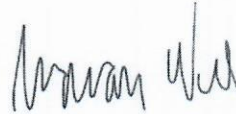
1. I am a nominee for independent director of **PHILEQUITY FUND, INC.** (the “Fund”) and have been its independent director since 2014.
2. I am currently affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

| Company/Organization | Position/Relationship | Period of Service |
|---|-----------------------------|--------------------------|
| W. Hydrocolloids, Inc. | Director and Vice President | July 2003 to Present |
| W Group, Inc. | Chief Financial Officer | December 2007 to Present |
| W Landmark, Inc. | Chief Financial Officer | January 2011 to Present |
| Philequity Strategic Growth Fund, Inc. | Independent Director | February 2014 to Present |
| Philequity Foreign Currency Fixed Income Fund, Inc. | Independent Director | February 2014 to Present |
| Philequity Resources Fund, Inc. | Independent Director | February 2014 to Present |
| Philequity Balanced Fund, Inc. | Independent Director | February 2014 to Present |
| Philequity MSCI Philippines Index Fund, Inc. | Independent Director | January 2018 to present |
| Philequity Alpha One Fund, Inc. | Independent Director | March 2019 to present |
| Philequity Global Fund, Inc. | Independent Director | June 2019 to present |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PHILEQUITY FUND, INC.** (the “Fund”), as provided for in Section 38 of the Securities Regulations Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any of the directors/officers/substantial shareholders of **PHILEQUITY FUND, INC.** (the “Fund”) and its subsidiaries and affiliates, as provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of **PHILEQUITY FUND, INC.** (the "Fund") of any changes in the abovementioned information within five days from its occurrence.

Done, this AUG 25 2021 CITY OF MANILA day of _____ in _____, Metro Manila.

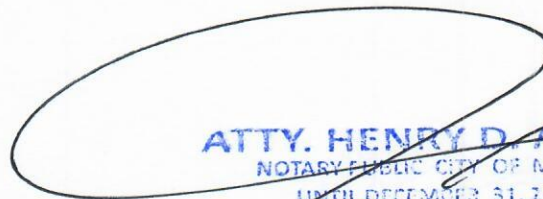


NORMAN L. WEE

Affiant

AUG 25 2021

SUBSCRIBED AND SWORN to before me this _____ day of _____ in CITY OF MANILA, Metro Manila, affiant exhibiting to me his TIN 183-886-817 as competent evidences of his identity.



ATTY. HENRY D. ABASA

NOTARY PUBLIC CITY OF MANILA

UNTIL DECEMBER 31, 2021

NOTARIAL COMMISSION: 2020-097 MLA

ISP NO. 141253 - 01/04/2021, PASIG

PTR NO. 9826148 - 01/05/2021 MLA

ROLL NO. 29679, TIN: 172-528-620

MCLE COMPL. NO. VII-0000165

URBAN DECA HOMES MANILA, B-2, UNIT 355

Doc. No. 14;

Page No. 6;

Book No. 14;

Series of 2020.

CERTIFICATION OF INDEPENDENT DIRECTORS

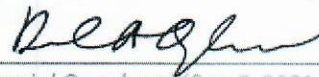
I, **Daniel Ongchoco**, Filipino, of legal age after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **PHILEQUITY FUND, INC.** (the "Corporation");
2. I am affiliated with the following companies or organizations:

| Company/Organization | Position/Relationship | Period of Service |
|--|---|--------------------------|
| Synermaxx Corporation | Chairman & CEO | Aug 2006 to Present |
| Gardner College | President & Managing Director | June 1995 to Present |
| Gates Professional Schools | Executive Chairman | Sept 2011 to Present |
| Global Quality Education Providers, Inc. | Executive Chairman | Oct 2005 to Present |
| Alco Business Corporation | Vice President & Deputy Managing Director | July 1994 to Present |
| GNO Tech Resources, Inc. | President | Dec 2001 to Present |
| Greenhills Badminton Center, Inc. | Director | April 2004 to Present |
| King Boone Enterprise Unlimited, Inc. | Chairman & CEO | Nov 2002 to Present |
| King Boone Ventures, Inc. | Chairman & CEO | March 1993 to Present |
| Philippine Nutri-Foods Corporation | Independent Director | Aug 2009 to Present |
| Health & Development Solutions, Inc. (formerly NCP Publishing Corporation) | Independent Director | Aug 2009 to Present |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PHILEQUITY FUND, INC.**, as provided for in Section 38 of the Securities Regulations Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of **PHILEQUITY FUND, INC.**, as relationship is provided under Rule 38.2.3 of the Securities and Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not in government service or affiliated with a Government Agency or Government Owned and Controlled Corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulation, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of **PHILEQUITY FUND, INC.** of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this SEP 08 2021 day of CITY OF MANILA at _____.

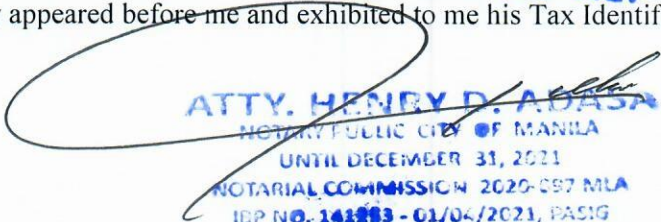


Daniel Ongchoco (Sep 7, 2021 23:04 EDT)

DANIEL ONGCHOCO
Affiant

SUBSCRIBED AND SWORN to before me this SEP 08 2021 day of CITY OF MANILA at _____, affiant personally appeared before me and exhibited to me his Tax Identification No. _____.

Doc. No. 13;
Page No. 4;
Book No. 14;
Series of 2021.


ATTY. HENRY D. ADASA
NOTARY PUBLIC CITY OF MANILA
UNTIL DECEMBER 31, 2021
NOTARIAL COMMISSION 2020-097 MLA
IBP NO. 141883 - 01/04/2021, PASIG
PTR NO. 0020148 - 01/05/2021 MLA
ROLL NO. 29679, TIN: 172-528-620
MCLE COMPL. NO. VII-0000165
URBAN DECA HOMES MANILA, B-2, UNIT 356

COVER SHEET

SEC Registration Number

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Company Name

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

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| 5 | T | H | | A | V | E | . | , | | B | G | C | , | T | A | G | U | I | G | | C | I | T | Y | . | | | | |
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Department requiring the report

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Secondary License Type, If Applicable

| | | | |
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| N | A | | |
|---|---|--|--|

COMPANY INFORMATION

Company's Email Address

philequityfunds@philequity.net

Company's Telephone Number/s

8250-8750

Mobile Number

0917-590-7176

No. of Stockholders

38,632

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. Angelica Cabanit

Email Address

angelica.cabanit@philequity.net

Telephone Number/s

250-8713

Mobile Number

0917-590-7176

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, 2020**
2. SEC Identification No. **AS094-001-656**
3. BIR Tax Identification No. **003-868-545**
4. Exact name of registrant as specified in its charter: **PHILEQUITY 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 | 306,494,903 |

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 thereunder 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: **10,073,398,025**

PART I. BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

A. Incorporation

On February 21, 1994, Philequity Fund Inc. (PEFI or the “Fund”) was organized under the rules of the Investment Company Act 2629 and the Corporation Code through the initiative of the following persons: Wilson L. Sy, Alfredo C. Ramos, Ignacio B. Gimenez, Willy N. Ocier, Felipe U. Yap, Leo McGuire Garcia, Roberto Z. Lorayes, Ronaldo S. Salonga, Antonio Y. Tee, Antonio T. Ong, Aurora L. Shih, Harry G. Liu, Carmelita C. Yao, Tony O. King and Eddie T. Gobing. PEFI 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. The Fund has no parent company.

B. Investment Policy/Risks

PEFI is an open-end mutual fund. The Fund’s investment objective is to seek long-term capital appreciation through investment primarily 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 intends to invest its assets in a variety of Philippine industries to achieve diversification, but will act as such within the provision of applicable laws and regulations.

Inherent in any kind of investment are risks. The concept of risk/reward trade-off as translated means the less the risk in a given investment, the less the opportunity for gain. Conversely, the more risk assumed, the greater the potential return. Primarily, the major inherent risks in investing in the equities are the risks of fluctuating prices and the uncertainty of dividends, rates of return and yield.

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 Fund. PEMI provides and renders professional management and technical services to Philequity Fund, Inc. (PEFI). 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 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 one billion pesos (P1,000,000,000) divided into 1.0 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, PEFI 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 December 2020 according to data tracked by the Philippine Investment Funds Association. The industry continues to benefit from increased public interest on alternative investments that have higher yields over regular savings accounts and time deposits. While industry net assets grew 27% to P358 billion from P282 billion a year ago, it was nevertheless another challenging year for capital markets as volatility remained very high.

The industry is divided into 5 categories – stock, bond, balanced, money market, and feeder funds. Majority of total assets under management (AUM) is invested in money market funds (37%), stock funds (31%) and bond funds (23%) funds which make up 90% of total market share. Philequity Management, Inc. (PEMI) only offers seven funds to the public -- Philequity Fund, Inc. (PEFI), Philequity PSE Index Fund, Inc. (PPSE), Philequity Dividend Yield Fund, Inc. (PDYF), Philequity MSCI Philippines Index Fund, Inc. (PMPI), Philequity Alpha One Fund, Inc. (PAOF), Philequity Peso Bond Fund, Inc. (PPBF), and Philequity Dollar Income Fund, Inc. (PDIF) which only competes against other stock and bond funds.

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 outperforms its respective benchmark.

Following is a summary of the assets held by mutual funds in the Philippines as of 31 December 2020.

| 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. | 5,603,696,075 | 51,986,016 | 5,551,710,059 | 5,191,724,290 | 8,148 |
| | ATRAM Alpha Opportunity Fund, Inc. (formerly, ATRKE Alpha Opportunity Fund, Inc.) | 516,052,086 | 27,287,548 | 488,764,538 | 460,028,342 | 3,920 |
| 2 | ATRAM Phil. Equity Opportunity Fund, Inc. (formerly, ATRKE Equity Opportunity Fund, Inc.) | 1,498,655,516 | 14,032,020 | 1,484,623,496 | 1,398,964,985 | 2,858 |
| 3 | Climbs Share Capital Equity Investment Fund Corp. | 374,984,978 | 5,050,588 | 369,934,390 | 294,379,932 | 1,537 |
| 4 | First Metro Consumer Fund on MSCI Phils. IMI, Inc. | 480,592,965 | 1,438,652 | 479,154,313 | 432,428,672 | 1,483 |
| 5 | First Metro Save and Learn Equity Fund, Inc. | 4,192,713,352 | 70,598,435 | 4,122,114,918 | 3,768,567,463 | 16,805 |
| 6 | First Metro Save and Learn Phil. Index Fund, Inc. (formerly, One Wealthy Nation Fund, Inc.) | 79,213,059 | 1,075,353 | 78,137,706 | 77,571,552 | 474 |
| 7 | MBG Equity Investment Fund, Inc. | 160,170,051 | 1,660,641 | 158,509,409 | 150,233,258 | 47 |
| 8 | PAMI Equity Index Fund, Inc. | 13,923,029,081 | 109,669,441 | 13,813,359,639 | 13,698,689,746 | 13,443 |
| 9 | Philam Strategic Growth Fund, Inc. | 34,143,370,338 | 314,360,994 | 33,829,009,343 | 31,118,413,439 | 13,298 |
| 10 | Philequity Alpha One Fund, Inc. | 107,715,101 | 543,232 | 107,171,868 | 81,472,439 | 283 |
| 11 | Philequity Dividend Yield Fund, Inc. | 2,243,209,233 | 2,885,011 | 2,240,324,221 | 2,080,994,003 | 3,984 |
| 12 | Philequity Fund, Inc. | 10,734,692,924 | 77,925,796 | 10,656,767,128 | 10,036,000,385 | 38,632 |
| 13 | Philequity MSCI Phils. Index Fund, Inc. | 334,451,997 | 785,427 | 333,666,570 | 331,791,095 | 748 |
| 14 | Philequity PSE Index Fund, Inc. | 3,794,461,240 | 74,067,802 | 3,720,393,439 | 3,695,670,571 | 26,483 |
| 15 | Philippine Stock Index Fund Corp. | 11,272,771,213 | 35,882,358 | 11,236,888,856 | 11,158,467,452 | 10,053 |
| 16 | Soldivo Strategic Growth Fund, Inc. | 1,550,366,219 | 45,065,911 | 1,505,300,308 | 1,413,656,001 | 13,242 |
| 17 | Sun Life Prosperity Philippine Equity Fund, Inc. | 8,300,024,442 | 360,835,503 | 7,939,188,939 | 7,718,025,168 | 62,996 |
| 18 | Sun Life Prosperity Phil. Stock Index Fund, Inc. | 11,984,151,633 | 252,785,126 | 11,731,366,507 | 11,697,501,983 | 51,184 |
| 19 | United Fund, Inc. | 632,549,906 | 1,607,182 | 630,942,724 | 617,225,412 | 1,275 |
| <i>Exchange Traded Fund</i> | | | | | | |
| 20 | First Metro Phil. Equity Exchange Traded Fund, Inc. | 1,892,742,103 | 5,028,886 | 1,887,713,217 | 1,877,218,084 | 2,087 |
| Sub total - Peso Currency | | 113,819,613,512 | 1,454,571,923 | 112,365,041,589 | 107,299,024,273 | 272,980 |
| <i>Primarily invested in foreign currency securities</i> | | | | | | |
| 21 | ATRAM AsiaPlus Equity Fund, Inc. (formerly, ATR KimEng AsiaPlus Recovery Fund, Inc.) | 52,001,222 | 485,260 | 51,515,963 | 0 | 51 |
| 22 | Sun Life Prosperity World Voyager Fund, Inc. | 1,273,327,195 | 4,630,620 | 1,268,696,574 | 0 | 1,761 |
| Sub total - US Currency | | 1,325,328,417 | 5,115,880 | 1,320,212,537 | 0 | 1,812 |
| Sub total - stock funds | | 115,144,941,929 | 1,459,687,803 | 113,685,254,126 | 107,299,024,273 | 274,792 |
| Balanced Funds | | | | | | |
| <i>Primarily invested in Peso securities</i> | | | | | | |
| 23 | ATRAM Dynamic Allocation Fund, Inc. (formerly, Optima Balanced Fund, Inc.) | 95,003,798 | 554,406 | 94,449,392 | 34,398,827 | 607 |
| 24 | ATRAM Philippine Balanced Fund, Inc. (formerly, ATRKE Philippine Balanced Fund, Inc.) | 749,490,439 | 2,533,656 | 746,956,784 | 469,955,072 | 2,509 |
| 25 | First Metro Save and Learn Balanced Fund, Inc. | 1,455,187,820 | 60,364,279 | 1,394,823,540 | 806,426,776 | 5,034 |
| 26 | First Metro Save and Learn F.O.C.C.U.S. Dynamic Fund, Inc. | 32,923,602 | 274,693 | 32,648,909 | 18,715,603 | 22 |
| 27 | NCM Mutual Fund of the Phils., Inc. | 354,089,403 | 1,061,009 | 353,028,394 | 142,211,925 | 58 |
| 28 | PAMI Horizon Fund, Inc. | 707,012,625 | 16,420,989 | 690,591,636 | 382,408,879 | 10,490 |
| 29 | Philam Fund, Inc. | 11,145,624,424 | 46,916,588 | 11,098,707,835 | 6,142,007,850 | 8,689 |
| 30 | Solidaritas Fund, Inc. (formerly, Bahay Pari Solidaritas Fund, Inc.) | 155,725,398 | 264,493 | 155,460,905 | 103,684,370 | 203 |
| 31 | Sun Life Prosperity Balanced Fund, Inc. | 8,638,492,482 | 68,065,279 | 8,570,427,204 | 5,059,786,062 | 51,619 |
| 32 | Sun Life Prosperity Achiever Fund 2028, Inc. | 66,693,248 | 232,766 | 66,460,482 | 28,099,115 | 522 |
| 33 | Sun Life Prosperity Achiever Fund 2028, Inc. | 52,507,034 | 204,686 | 52,302,347 | 41,158,099 | 143 |
| 34 | Sun Life Prosperity Achiever Fund 2048, Inc. | 49,068,580 | 187,057 | 48,881,522 | 41,145,216 | 75 |
| 35 | Sun Life Prosperity Dynamic Fund, Inc. | 1,359,243,822 | 26,217,593 | 1,333,026,229 | 1,114,054,143 | 4,988 |
| Sub total - Peso Currency | | 24,861,062,674 | 223,297,494 | 24,637,765,180 | 14,384,051,939 | 84,959 |
| <i>Primarily invested in foreign currency securities</i> | | | | | | |
| 36 | Cocolife Dollar Fund Builder, Inc. | 72,518,610 | 424,970 | 72,093,640 | 0 | 56 |
| 37 | PAMI Asia Balanced Fund, Inc. | 474,278,859 | 21,587,620 | 452,691,239 | 248,732,873 | 313 |
| 38 | Sun Life Prosperity Dollar Advantage Fund, Inc. | 1,667,434,068 | 4,573,430 | 1,662,860,638 | 0 | 3,875 |
| 39 | Sun Life Prosperity Dollar Wellspring | 372,661,956 | 3,184,835 | 369,477,121 | 0 | 616 |
| 40 | | | | | | |

| | | | | | | |
|--|---|------------------------|----------------------|------------------------|------------------------|----------------|
| Fund, Inc. | | | | | | |
| Sub total - US Currency | | 2,586,893,493 | 29,770,855 | 2,557,122,638 | 248,732,873 | 4,860 |
| Sub total - balanced funds | | 27,447,956,168 | 253,068,350 | 27,194,887,818 | 14,632,784,812 | 89,819 |
| Bond Funds | | | | | | |
| <i>Primarily invested in Peso securities</i> | | | | | | |
| 41 | ALFM Peso Bond Fund, Inc. | 44,557,764,769 | 339,503,097 | 44,218,261,672 | 3,168,611,490 | 27,264 |
| | ATRAM Corporate Bond Fund, Inc. | | | | | |
| | (formerly, Prudentiallife Fixed Income Fund, Inc.) | | | | | |
| 42 | | 229,325,539 | 1,686,924 | 227,638,615 | 0 | 1,002 |
| 43 | Cocolife Fixed Income Fund, Inc. | 1,374,587,444 | 13,811,804 | 1,360,775,640 | 0 | 1,969 |
| 44 | Ekklesia Mutual Fund, Inc. | 213,190,702 | 320,587 | 212,870,116 | 5,000,000 | 101 |
| | First Metro Save and Learn Fixed Income Fund, Inc. | 2,086,479,144 | 103,732,368 | 1,982,746,776 | 0 | 1,955 |
| 46 | Philam Managed Income Fund, Inc. | 1,033,765,804 | 43,418,867 | 990,346,938 | 0 | 593 |
| 47 | Philam Bond Fund, Inc. | 7,307,565,051 | 45,064,638 | 7,262,500,413 | 0 | 5,407 |
| 48 | Philequity Peso Bond Fund, Inc. | 291,753,751 | 913,197 | 290,840,553 | 18,657,854 | 4,263 |
| 49 | Soldivo Bond Fund, Inc. | 666,848,586 | 2,614,380 | 664,234,206 | 0 | 831 |
| 50 | Sun Life Prosperity Bond Fund, Inc. | 5,329,724,945 | 53,419,929 | 5,276,305,017 | 0 | 14,696 |
| 51 | Sun Life Prosperity GS Fund, Inc. | 294,711,059 | 752,234 | 293,958,824 | 0 | 2,332 |
| Sub total - Peso Currency | | 63,385,716,795 | 605,238,025 | 62,780,478,769 | 3,192,269,344 | 60,413 |
| <i>Primarily invested in foreign currency securities</i> | | | | | | |
| 52 | ALFM Dollar Bond Fund, Inc. | 13,207,047,282 | 140,906,471 | 13,066,140,811 | 0 | 9,313 |
| | ATRAM Total Return Dollar Bond Fund, Inc. (formerly, ATR KimEng Total Return Bond Fund, Inc.) | | | | | |
| 53 | | 1,083,068,269 | 4,321,703 | 1,078,746,566 | 0 | 132 |
| | First Metro Save and Learn Dollar Bond Fund, Inc. | 628,673,357 | 2,331,741 | 626,341,616 | 0 | 115 |
| 55 | PAMI Global Bond Fund Phils., Inc. | 109,900,154 | 9,471,773 | 100,428,381 | 1,887,873 | 29 |
| 56 | Philam Dollar Bond Fund, Inc. | 2,579,857,355 | 20,939,628 | 2,558,917,726 | 0 | 2,211 |
| 57 | Philequity Dollar Income Fund, Inc. | 276,223,415 | 1,895,794 | 274,327,620 | 0 | 129 |
| | Sun Life Prosperity Dollar Abundance Fund, Inc. | 624,083,711 | 2,100,608 | 621,983,104 | 0 | 2,485 |
| Sub total - US Currency | | 18,508,853,543 | 181,967,718 | 18,326,885,825 | 1,887,873 | 14,414 |
| 59 | ALFM Euro Bond Fund, Inc. | 994,854,593 | 7,889,431 | 986,965,161 | 0 | 656 |
| Sub total - Euro Currency | | 994,854,593 | 7,889,431 | 986,965,161 | 0 | 656 |
| Sub total - bond funds | | 82,889,424,930 | 795,095,174 | 82,094,329,756 | 3,194,157,217 | 75,483 |
| Money Market Funds | | | | | | |
| <i>Primarily invested in Peso securities</i> | | | | | | |
| 60 | ALFM Money Market Fund, Inc. | 44,913,082,961 | 66,781,365 | 44,846,301,596 | 0 | 24,071 |
| | First Metro Save and Learn Money Market Fund, Inc. | | | | | |
| 61 | | 1,515,663,308 | 81,936,116 | 1,433,727,192 | 0 | 364 |
| | Sun Life Prosperity Money Market Fund, Inc. | 82,934,442,154 | 179,973,955 | 82,754,468,199 | 0 | 47,887 |
| Sub total - Peso Currency | | 129,363,188,423 | 328,691,436 | 129,034,496,987 | 0 | 72,322 |
| <i>Primarily invested in foreign currency securities</i> | | | | | | |
| | Sun Life Prosperity Dollar Starter Fund, Inc. | 4,476,988,496 | 37,916,855 | 4,439,071,640 | 0 | 1,627 |
| Sub total - US Currency | | 4,476,988,496 | 37,916,855 | 4,439,071,640 | 0 | 1,627 |
| Sub total - money market funds | | 133,840,176,919 | 366,608,292 | 133,473,568,627 | 0 | 73,949 |
| Feeder Fund | | | | | | |
| <i>Primarily invested in Peso securities</i> | | | | | | |
| | Sun Life Prosperity World Equity Index Feeder Fund, Inc. | 618,380,759 | 23,262,544 | 595,118,215 | 0 | 812 |
| Sub total - Peso Currency | | 618,380,758.83 | 23,262,543.60 | 595,118,215.23 | - | 812 |
| <i>Primarily invested in foreign currency securities</i> | | | | | | |
| | ALFM Global Multi-Asset Income Fund, Inc. | 2,992,064,113 | 2,478,066 | 2,989,586,047 | 0 | 4 |
| Sub total - US Currency | | 2,992,064,113 | 2,478,066 | 2,989,586,047 | 0 | 4 |
| Sub total - feeder fund | | 3,610,444,872 | 25,740,610 | 3,584,704,262 | 0 | 816 |
| GRAND TOTAL | | 362,932,944,817 | 2,900,200,229 | 360,032,744,589 | 125,125,966,302 | 514,859 |

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 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 2020 covered by this report.

PART II. OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR COMMON EQUITY and RELATED STOCKHOLDERS MATTERS

A. Fund Performance

Philequity Fund, Inc. offers its investors above-average returns ever since its inception in February 1994. Below is the historical performance of the Fund in comparison with the performance of the Phisix:

Calendar Year Returns (%)

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|------|--------|-------|---------|--------|--------|
| PEFI | -8.25% | 3.45% | -10.86% | 23.30% | -1.33% |
| PSEi | -8.64% | 4.68% | -12.76% | 25.11% | -1.60% |

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 PEFI's ability to pay dividends on common equity.

Below is the comparative tabulation of the Fund's Net Asset Value per share since 2001.

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

| Year | 1st Quarter | | 2nd Quarter | | 3rd Quarter | | 4th Quarter | |
|------|-------------|---------|-------------|---------|-------------|---------|-------------|---------|
| | High | Low | High | Low | High | Low | High | Low |
| 2020 | 37.9806 | 23.808 | 31.9994 | 26.7191 | 31.0265 | 28.2965 | 35.3723 | 29.0301 |
| 2019 | 39.5125 | 36.7409 | 39.6824 | 36.9989 | 40.8645 | 37.9011 | 39.853 | 36.8225 |
| 2018 | 43.0113 | 38.5443 | 39.1166 | 34.4792 | 38.6093 | 35.1144 | 37.6666 | 34.1332 |
| 2017 | 35.3835 | 33.3592 | 38.3427 | 35.3361 | 39.7603 | 37.6846 | 41.0954 | 39.153 |
| 2016 | 35.1773 | 30.0197 | 36.9945 | 33.7638 | 38.4222 | 36.4338 | 37.1742 | 32.2759 |
| 2015 | 39.1924 | 37.1847 | 39.8522 | 35.9964 | 37.4746 | 33.2113 | 35.6679 | 32.8404 |
| 2014 | 31.7233 | 28.8308 | 34.3728 | 31.9738 | 37.2773 | 34.1075 | 37.5935 | 34.9716 |
| 2013 | 33.4805 | 28.8633 | 35.8884 | 29.0832 | 32.9004 | 28.6659 | 32.2712 | 28.3083 |
| 2012 | 25.1819 | 21.565 | 26.2736 | 23.9044 | 26.5615 | 25.2568 | 28.7683 | 26.1498 |
| 2011 | 20.374 | 18.3482 | 21.0937 | 20.1073 | 22.2426 | 18.1394 | 21.5542 | 18.7387 |
| 2010 | 14.2118 | 12.203 | 20.8607 | 13.9687 | 19.5035 | 14.9622 | 20.8645 | 19.0837 |
| 2009 | 8.7706 | 7.7698 | 11.0682 | 8.5163 | 12.609 | 10.3747 | 13.3091 | 7.5262 |
| 2008 | 13.4082 | 10.8096 | 11.6073 | 9.9279 | 10.7882 | 9.4038 | 10.1968 | 7.5262 |
| 2007 | 12.4825 | 10.1366 | 13.5468 | 11.7883 | 13.7597 | 10.4898 | 13.6007 | 12.1971 |
| 2006 | 8.2800 | 7.4000 | 9.9400 | 8.2700 | 9.7900 | 8.9100 | 11.3100 | 9.7200 |
| 2005 | 8.1548 | 6.4546 | 7.381 | 6.7446 | 7.0451 | 3.3638 | 7.5654 | 6.8442 |
| 2004 | 5.4475 | 4.9667 | 5.4957 | 5.0309 | 5.9101 | 5.3664 | 6.5563 | 5.4369 |
| 2003 | 3.8998 | 3.6932 | 4.4522 | 3.8068 | 4.5976 | 4.3254 | 5.0435 | 4.5503 |
| 2002 | 4.3518 | 3.94 | 4.2638 | 4.0667 | 4.1584 | 3.66 | 3.7752 | 3.596 |
| 2001 | 3.9299 | 3.76 | 3.9344 | 3.7828 | 3.9623 | 3.7553 | 3.943 | 3.6408 |

B. Holders

The number of common shareholders of record as of December 31, 2020 is 38,632. Common shares outstanding as of December 31, 2019 are 306,494,903. 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, 2020.

C. Dividends

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

D. Sale of Unregistered or Exempt Securities

There is no sale of unregistered or exempt securities within the past five (5) years.

ITEM 6. MANAGEMENT ANALYSIS AND DISCUSSION

| In Millions | 2020 | 2019 |
|---|-----------|-----------|
| Balance Sheet | | |
| Assets | 10,746.33 | 11,382.89 |
| Liabilities | 89.56 | 49.11 |
| Stockholder's Equity | 10,656.78 | 11,333.78 |
| Book Value Per Share | 34.77 | 37.90 |
| Income Statement | | |
| Income | (693.16) | 644.92 |
| Expenses | 193.76 | 239.07 |
| Net Income | (886.92) | 405.85 |
| Earnings per Share (using weighted Average number of Outstanding Shares) | (2.9052) | 1.3385 |

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.

| | December 31, 2020 | December 31, 2019 |
|------------------------------|-------------------|-------------------|
| Current Ratio | 11999.42% | 23178.22% |
| Acid Test Ratio | 11999.42% | 23178.22% |
| Solvency Ratio | -990.34% | 826.41% |
| Debt-to-Equity Ratio | 0.84% | 0.43% |
| Asset-to-Equity Ratio | 100.84% | 100.43% |
| Interest Rate Coverage Ratio | N/A | N/A |
| Return on Assets | -8.02% | 3.58% |
| Return on Equity | -8.07% | 3.60% |
| Net Profit Margin | 78% | 159% |

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

| Formula | |
|---------|---|
| 1 | Current Asset/Current Liabilities |
| 2 | (Cash Eq + Marketable Securities + Receivables)/Current Liabilities |
| 3 | Net Income/Net Liabilities |
| 4 | Total Liabilities/Total Equity |
| 5 | Total Asset/Total Equity |
| 6 | Net Income/Average Total Assets |
| 7 | Net Income/Average Total Equity |
| 8 | Gross Profit/Net Income |

Analysis and Plan of operation

2020 was a turbulent year for stocks, headlined by coronavirus which spread from China to the rest of the world. To support their respective economies, central banks lowered interest rates to levels not seen since the 2008 crisis. Central banks accommodated lower rates, cut RRR ratios to adjust for inflation and to ensure that their respective countries would be able to bounce back from the pandemic. Economies shut down early in the year to curb the spread of the virus. In the Philippines, President Duterte placed Metro Manila under lockdown in March as the virus spread in the NCR. Central Business Districts such as BGC and Makati were hit hardest from the virus with BGC becoming an early hotspot. To combat this, governments passed legislations as support such as stimulus checks in the US and the Bayanihan Heal As One Act in the Philippines. As the virus ravaged the world, stock markets would take a hit and flows would shift to safer haven assets such as gold and money market funds. Eventually vaccine trials showed promising effects and finally a rollout would ensue towards the end of the year by November and December, first by Pfizer-BioNTech then by Moderna. Each critical phase of vaccine trials pushed markets higher, pushing the Chinese stock market and US stock market above water for the year. In the Philippines, the PSEi regained some of its losses and eventually closed the year down 8.25%, after falling as much as 49% at the height of the pandemic in March.

We expect another volatile 2021, dictated by how the central bank navigates increasing inflation, oil and commodity prices. The restart of the economy will also be watched as GDP and remittances took a big hit last year. While the peso appreciated in 2020, it remains to be seen how long the Dollar will remain weak. Finally, the government's response to combat the virus and how soon they can rollout the vaccine will be key to recovery and higher bond prices. Economic data such as GDP, remittances, the peso, trade balance and the twin deficits will also be monitored as any sharp and unexpected moves will impact the performance of the fund.

B. Financial Condition

Y2020 compared to Y2019

INCOME AND EXPENSES

| Comprehensive Income | Y2020 | Y2019 | Inc/(Dec) | Percent |
|------------------------------|------------------|----------------|-----------------|---------|
| Total Income | (693,159,250.00) | 644,921,825.00 | (1,338,081,075) | -207% |
| Total Expenses | 190,274,135.00 | 231,290,347.00 | (41,016,212) | -18% |
| Net Income before income tax | (883,433,385.00) | 413,631,478.00 | (1,297,064,863) | -314% |

Investment Income

| Investment Income | 2020 | 2019 | Inc/(Dec) | Percent |
|--|----------------------|--------------------|------------------------|--------------|
| Net unrealized gain/(loss) in change of fair value | (431,926,802.00) | 261,728,282 | (693,655,084) | - |
| Net realized gain on sale of financial assets | (425,613,051.00) | 168,916,584 | (594,529,635) | - |
| Dividends | 146,943,085.00 | 175,374,236 | (28,431,151) | -16.21% |
| Interest | 17,437,519.00 | 38,902,723 | (21,465,204) | -55.18% |
| Other Income | - | - | - | 0.00% |
| Total | (693,159,249) | 644,921,825 | (1,338,081,074) | -207% |

The decrease in investment income by 207% as compared to 2019 is greatly attributable to the impairment in market value of equity securities.

Expenses

| Expenses Details | 2020 | Y2019 | Inc/(Dec) | Percent |
|-------------------------|-----------------------|-----------------------|---------------------|----------------|
| Management fee | 162,527,702.00 | 199,714,724.00 | (37,187,022) | -18.62% |
| Taxes and licenses | 11,643,668.00 | 14,258,125.00 | (2,614,457) | -18.34% |
| Commission Expense | 323,394.00 | 484,638.00 | (161,244) | -33.27% |
| Transaction costs | 11,204,875.00 | 13,249,086.00 | (2,044,211) | -15.43% |
| Directors' fees | 495,748.00 | 864,517.00 | (368,769) | -42.66% |
| Professional fees | 1,511,111.00 | 1,616,111.00 | (105,000) | -6.50% |
| Others | 2,567,637.00 | 1,103,146.00 | 1,464,491 | 132.76% |
| Total | 190,274,135.00 | 231,290,347.00 | (60,207,805) | -24.04% |

The Fund's decrease in total expense of 60.20M or by 24.04% is a result of a lot of factors.

Management fee decreased due to decrease in asset under management by PEMI while taxes and also drops mainly due to lower business tax in 2020 and also decrease in stock transfer tax brought by lesser selling of investments.

ASSETS AND LIABILITIES

| Financial Position | 2020 | Y2019 | Inc/(Dec) | Percent |
|---|-----------------------|-----------------------|----------------------|----------------|
| Financial assets at fair value through profit or loss | 10,036,000,385.00 | 10,542,934,123.00 | (506,933,738) | -4.81% |
| Cash and cash equivalent | 628,070,280.00 | 826,483,051.59 | (198,412,772) | -24.01% |
| Loans and receivables | 82,264,310.22 | 13,475,745.00 | 68,788,565 | 510.46% |
| Other Assets | - | - | - | 0.00% |
| Total Assets | 10,746,334,975 | 11,382,892,920 | (636,557,944) | -5.59% |
| Total Liabilities | 89,557,150.22 | 49,110,299 | 40,446,851 | 82.36% |
| Total Equity | 10,656,777,825 | 11,333,782,620 | (677,004,796) | -5.97% |

Assets

Cash and cash equivalents

This account consists of:

| | 2020 | 2019 |
|---------------------|--------------------|--------------------|
| Cash in banks | 628,070,280 | 326,883,052 |
| Short-term deposits | - | 499,600,000 |
| Total | 628,070,280 | 826,483,052 |

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

| | 2020 | 2019 |
|---------------------|-------------------|-------------------|
| Due from brokers | 74,823,488 | 335,577 |
| Interest receivable | - | 818,310 |
| Dividend receivable | 7,440,821 | 12,321,858 |
| Total | 82,264,310 | 13,475,745 |

Due from broker pertains to receivables from proceeds of equity securities sold but not yet settled

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:

| | 2020 | Y2019 |
|--|----------------|----------------|
| Net asset value attributable to holders of redeemable shares | 10,656,777,825 | 11,333,782,621 |
| Number of shares outstanding | 306,494,903 | 299,067,115 |
| NAV per share | 34.7698 | 37.8971 |

Below is comparative study of the net asset value per share of selected mutual funds for the years 2020 and 2019:

| | | 2020 | 1 yr. | 2019 | 1 yr. |
|--|---|-----------|---------|-----------|---------|
| | | NAV | Return | NAV | Return |
| Fund Name | | Per Share | (%) | Per Share | (%) |
| STOCK FUNDS | | | | | |
| <i>Primarily invested in Peso securities</i> | | | | | |
| 1 | ALFM Growth Fund, Inc * | 227.22 | -8.96% | 251.89 | -0.13% |
| 2 | ATRAM Alpha Opportunity Fund, Inc.* | 1.3132 | -3.75% | 1.3823 | -4.08% |
| 3 | ATRAM Philippine Equity Opportunity Fund, Inc.* | 3.1334 | -13.59% | 3.6791 | -5.75% |
| 4 | Climbs Share Capital Equity Investment Fund Corp.* | 0.8045 | -9.52% | 0.8975 | 0.8% |
| 5 | First Metro Consumer Fund on MSCI Phils. IMI, Inc. * ***** | 0.7417 | -11.86% | 0.8495 | 3.5% |
| 6 | First Metro Save and Learn Equity Fund, Inc.* | 4.9418 | -6.41% | 5.3296 | 1.09% |
| 7 | MBG Equity Investment Fund, Inc. * ***** | 0.7601 | -10.12% | 0.8539 | 2.56% |
| 8 | One Wealthy Nation Fund, Inc.* | 101.39 | -2.42% | 103.47 | -11.28% |
| 9 | PAMI Equity Index Fund, Inc.* | 46.8477 | -7.78% | 51.2915 | 4.2% |
| 10 | Philam Strategic Growth Fund, Inc.* | 488.98 | -7.44% | 532.9 | 3.5% |
| 11 | Philequity Alpha One Fund, Inc. | 1.0973 | 7.95% | 1.0301 | n.a. |
| 12 | Philequity Dividend Yield Fund, Inc.* | 1.1682 | -8.31% | 1.2869 | 2.62% |
| 13 | Philequity Fund, Inc.* | 34.7698 | -7.42% | 37.8971 | 3.45% |
| 14 | Philequity MSCI Philippine Index Fund, Inc. -a,1 | 0.913 | -9.47% | 1.0181 | n.a. |
| 15 | Philequity PSE Index Fund Inc.* | 4.7912 | -7.41% | 5.2235 | 5.34% |
| 16 | Philippine Stock Index Fund Corp.* | 801.65 | -7.19% | 872.08 | 5.27% |
| 17 | Soldivo Strategic Growth Fund, Inc. * | 0.719 | -14.37% | 0.8517 | -1.13% |
| 18 | Sun Life Prosperity Philippine Equity Fund, Inc.* | 3.6243 | -13.1% | 4.2102 | 3.71% |
| 19 | Sun Life Prosperity Philippine Stock Index Fund, Inc.* | 0.9178 | -7.43% | 1.0009 | 4.87% |
| 20 | United Fund, Inc.* | 3.3192 | -8.46% | 3.654 | 4.36% |
| <i>Exchange Traded Fund</i> | | | | | |
| 21 | First Metro Phil. Equity Exchange Traded Fund, Inc. | 107.5583 | -7.16% | 116.9625 | 5.61% |
| <i>Primarily invested in foreign currency securities</i> | | | | | |
| 22 | ATRAM AsiaPlus Equity Fund, Inc. | \$1.1881 | 15.25% | \$1.0259 | 11% |
| 23 | Sun Life Prosperity World Voyager Fund, Inc. | \$1.6687 | 21.33% | \$1.372 | 24.13% |
| BALANCED FUNDS | | | | | |
| <i>Primarily invested in Peso securities</i> | | | | | |
| 24 | ATRAM Dynamic Allocation Fund, Inc | 1.6688 | 7.35% | 1.5631 | -5.36% |
| 25 | ATRAM Philippine Balanced Fund, Inc. | 2.2856 | 5.45% | 2.1813 | -1.27% |
| 26 | First Metro Save and Learn Balanced Fund Inc. | 2.6272 | 0.4% | 2.632 | 3.46% |
| 27 | First Metro Save and Learn F.O.C.C.U.S. Dynamic Fund, Inc. - a,5 | 0.1986 | -12.32% | 0.2285 | n.a. |
| 28 | Grepalife Balanced Fund Corporation* **** | | | 1.3294 | 1.92% |
| 29 | NCM Mutual Fund of the Phils., Inc. | 1.9671 | 0.58% | N.S. | N.S. |
| 30 | PAMI Horizon Fund, Inc.**** | 3.7881 | 0.38% | 3.7895 | 7.21% |
| 31 | Philam Fund, Inc. | 16.9366 | 0.29% | 16.962 | 6.61% |
| 32 | Solidaritas Fund, Inc.* ***** | 2.0941 | -1.03% | 2.1258 | 2.58% |
| 33 | Sun Life of Canada Prosperity Balanced Fund, Inc.* | 3.5734 | -7% | 3.864 | 5.81% |
| 33 | Sun Life Prosperity Achiever Fund 2028, Inc. | 1.0226 | 1.26% | 1.0158 | n.a. |
| 34 | Sun Life Prosperity Achiever Fund 2038, Inc. | 0.9492 | -3.99% | 0.9965 | n.a. |
| 35 | Sun Life Prosperity Achiever Fund 2048, Inc. -a,d,2 | 0.9331 | -5.29% | 0.9933 | n.a. |
| 36 | Sun Life Prosperity Dynamic Fund, Inc.* | 0.8878 | -8.32% | 0.975 | 5.77% |
| <i>Primarily invested in foreign currency securities</i> | | | | | |
| 37 | Cocolife Dollar Fund Builder, Inc. | \$0.03912 | 2.41% | \$0.03823 | 8.48% |

| | | | | | |
|--|---|-------------|--------|-------------|--------|
| 38 | PAMI Asia Balanced Fund, Inc. | \$1.1416 | 9.99% | \$1.0331 | 11.33% |
| 39 | Sun Life Prosperity Dollar Advantage Fund, Inc. | \$4.4973 | 15.18% | \$3.8944 | 17.69% |
| 40 | Sun Life Prosperity Dollar Wellspring Fund, Inc. | \$1.1996 | 6.3% | \$1.125 | 11.93% |
| BOND FUNDS | | | | | |
| <i>Primarily invested in Peso securities</i> | | | | | |
| 41 | ALFM Peso Bond Fund, Inc.* | 371.07 | 3.67% | 357.8 | 4.2% |
| 42 | ATRAM Corporate Bond Fund, Inc.* | 1.9003 | -0.12% | 1.9017 | 2.3% |
| 43 | Cocolife Fixed Income Fund, Inc.* | 3.2134 | 3.1% | 3.1144 | 4.83% |
| 44 | Ekklesia Mutual Fund Inc.* | 2.296 | 3.18% | 2.225 | 4.44% |
| 45 | First Metro Save and Learn Fixed Income Fund, Inc.* | 2.4534 | 4.01% | 2.3589 | 6.79% |
| 46 | Grepalife Fixed Income Fund Corp.* | 4.6346 | 5.89% | P 1.6065 | 2.72% |
| 47 | Philam Bond Fund, Inc.* | 1.3212 | 5.15% | 4.3722 | 11.54% |
| 48 | Philequity Peso Bond Fund, Inc. | 4.0011 | 5.69% | 3.7882 | 7.71% |
| 49 | Soldivo Bond Fund, Inc. | 1.042 | 8.09% | 0.9642 | 8.03% |
| 50 | Sun Life of Canada Prosperity Bond Fund, Inc. | 3.2059 | 4.23% | 3.075 | 11.2% |
| 51 | Sun Life Prosperity GS Fund, Inc. | 1.7551 | 3.2% | 1.7008 | 10.47% |
| <i>Primarily invested in foreign currency securities</i> | | | | | |
| 52 | ALFM Dollar Bond Fund, Inc. * | \$483.87 | 3.33% | \$468.22 | 4.45% |
| 53 | ALFM Euro Bond Fund, Inc. * | €219.18 | -0.26% | €219.73 | 3.33% |
| 54 | ATRAM Total Return Dollar Bond Fund, Inc.** | \$1.2805 | 6.12% | \$1.2057 | 7.14% |
| 55 | First Metro Save and Learn Dollar Bond Fund, Inc.* | \$0.0266 | 3.1% | \$0.0258 | 3.61% |
| 56 | Grepalife Dollar Bond Fund Corp.* | | | \$1.7091 | 1.11% |
| 57 | PAMI Global Bond Fund, Inc.* | \$1.0925 | -0.25% | \$1.094 | 5.7% |
| 58 | Philam Dollar Bond Fund, Inc.* | \$2.5356 | 5.62% | \$2.4034 | 10.71% |
| 59 | Philequity Dollar Income Fund Inc.* | \$0.0623182 | 3.3% | \$0.0603144 | 5.85% |
| 60 | Sun Life Prosperity Dollar Abundance Fund, Inc.* | \$3.2241 | 1.74% | \$3.1751 | 10.56% |
| MONEY MARKET FUNDS | | | | | |
| <i>Primarily invested in Peso securities</i> | | | | | |
| 61 | ALFM Money Market Fund, Inc. | 129.81 | 3.15% | 125.78 | 4.09% |
| 62 | First Metro Save and Learn Money Market Fund, Inc. | 1.0481 | 1.67% | 1.03 | n.a. |
| 63 | Philam Managed Income Fund, Inc. | | | 1.2563 | 6.35% |
| 54 | Sun Life Prosperity Money Market Fund, Inc. | 1.2965 | 2.51% | 1.2643 | 3.74% |
| <i>Primarily invested in foreign currency securities</i> | | | | | |
| 65 | Sun Life Prosperity Dollar Starter Fund, Inc.* ***** | \$1.0524 | 1.46% | \$1.0371 | 2.11% |
| Feeder Funds | | | | | |
| <i>Primarily invested in Peso securities</i> | | | | | |
| 66 | Sun Life Prosperity World Equity Index Feeder Fund, Inc. -a,d,7 | 1.1133 | n.a. | n.a. | n.a. |
| <i>Primarily invested in foreign currency securities</i> | | | | | |
| 67 | ALFM Global Multi-Asset Income Fund Inc. -b,d,2 | \$0.98 | -2% | \$0.99 | n.a. |

Y2019 compared to Y2018

INCOME AND EXPENSES

| Comprehensive Income | Y2019 | Y2018 | Inc/(Dec) | Percent |
|----------------------|-------------|-----------------|---------------|---------|
| Total Income | 644,921,824 | (1,097,941,704) | 1,742,863,528 | -159% |
| Total Expenses | 239,070,890 | 255,089,763 | (16,018,873) | -6% |
| Net Income | 405,850,934 | (1,353,031,467) | 1,758,882,401 | -130% |

Investment Income

| Investment Income | Y2019 | Y2018 | Inc/(Dec) | Percent |
|--|--------------------|------------------------|----------------------|----------------|
| Net unrealized gain/(loss) in change of fair value | 261,728,282 | (1,762,547,048) | 2,024,275,329 | 114.85% |
| Net realized gain on sale of financial assets | 168,916,584 | 498,747,367 | (329,830,783) | 66.13% |
| Dividends | 175,374,236 | 142,818,863 | 32,555,373 | -22.79% |
| Interest | 38,902,723 | 23,039,114 | 15,863,609 | -68.86% |
| Total | 644,921,825 | (1,097,941,704) | 1,742,863,528 | -159% |

The increase in investment income by 159% as compared to 2018 is greatly attributable to the impairment in market value of equity securities.

Expenses

| Expenses Details | Y2019 | Y2018 | Inc/(Dec) | Percent |
|-------------------------|--------------------|--------------------|---------------------|----------------|
| Management fee | 199,714,724 | 196,650,932 | 3,063,792 | 1.56% |
| Taxes and licenses | 14,258,124 | 31,477,952 | (17,219,828) | -54.70% |
| Commission Expense | 13,249,086 | 17,404,380 | (4,155,294) | -23.87% |
| Transaction costs | 484,638 | 448,702 | 35,936 | 8.01% |
| Directors' fees | 1,616,111 | 1,380,930 | 235,181 | 17.03% |
| Professional fees | 864,517 | 989,853 | (125,336) | -12.66% |
| Others | 1,103,146 | 2,129,191 | (1,026,045) | -48.19% |
| Total | 231,290,347 | 250,481,940 | (19,191,594) | -7.66% |

The Fund's decrease in total expense of 19.19M or by 7.66% is a result of the following:

Management fee increased due to the improvement in asset under management by PEMI while taxes and also drops mainly due to lower business tax in 2019 and also decrease in stock transfer tax brought by lesser selling of investments. The decreased in commission paid, transaction costs, and other office and admin expense has a favourable impact on total expenses.

ASSETS AND LIABILITIES

| Financial Position | Y2019 | Y2018 | Inc/(Dec) | Percent |
|---|-----------------------|-----------------------|---------------------|----------------|
| Financial assets at fair value through profit or loss | 10,542,934,123 | 9,902,085,951 | 640,848,172 | 6.47% |
| Cash and cash equivalent | 826,483,052 | 1,400,886,321 | (574,403,269) | -41.00% |
| Loans and receivables | 13,475,745 | 8,308,699 | 5,167,046 | 62.19% |
| Total Assets | 11,382,892,920 | 11,311,280,971 | 71,611,949 | 0.63% |
| Total Liabilities | 49,110,299 | 93,733,154 | (44,622,855) | -47.61% |
| Total Equity | 11,333,782,621 | 11,217,547,817 | 116,234,804 | 1.04% |

Assets

Cash and cash equivalents

This account consists of:

| | 2019 | 2018 |
|---------------------|--------------------|----------------------|
| Cash in banks | 326,883,052 | 34,811,885 |
| Short-term deposits | 499,600,000 | 1,366,074,437 |
| Total | 826,485,071 | 1,400,886,322 |

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

| | 2019 | 2018 |
|---------------------|-------------------|------------------|
| Due from brokers | 7,896,551 | 0 |
| Interest receivable | 818,310 | 3,764,365 |
| Dividend receivable | 4,760,884 | 4,544,334 |
| Total | 13,475,745 | 8,308,699 |

Due from broker pertains to receivables from proceeds of equity securities sold but not yet settled

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:

Below is comparative study of the net asset value per share of selected mutual funds for the years 2019 and 2018:

| FUND NAME | 2019 Nav Per Share | 1Yr. Return (%) | 2018 Nav Per Share | 1Yr. Return (%) |
|---|-----------------------|--------------------|-----------------------|--------------------|
| Stock Funds | | | | |
| Primarily invested in Peso securities | | | | |
| ALFM Growth Fund, Inc.* | 251.89 | -0.0012 | 252.07 | -13.38% |
| ATRAM Alpha Opportunity Fund, Inc.* | 1.382 | -0.0408 | 1.4262 | -10.94% |
| ATRAM Philippine Equity Opportunity Fund, Inc.* | 3.6782 | -0.0576 | 3.9056 | -14.26% |
| Climbs Share Capital Equity Investment Fund Corp.* | 0.8971 | -0.0043 | 0.8908 | -11.97% |
| First Metro Consumer Fund on MSCI Phils. IMI, Inc. * ***** | 0.8493 | 0.0348 | 0.8227 | na. |
| First Metro Save and Learn Equity Fund, Inc.* | 5.3283 | 0.0104 | 5.2643 | -11.68% |
| First Metro Save and Learn Philippine Index Fund, Inc. (One Wealthy Nation Fund, Inc.*) | 0.8536 | 0.0202 | 0.8351 | -15.24% |
| MBG Equity Investment Fund, Inc. * ***** | 103.33 | -0.1105 | 117.97 | na. |
| PAMI Equity Index Fund, Inc.* | 51.2814 | 0.0418 | 49.3338 | -11.63% |
| Philam Strategic Growth Fund, Inc.* | 532.78 | 0.035 | 515.03 | -11.62% |
| Philequity Dividend Yield Fund, Inc.* | 1.0301 | na. | na. | na. |
| Philequity Alpha One Fund, Inc. | 1.2869 | 0.0262 | 1.2564 | -9.79% |
| Philequity Fund, Inc.* | 37.8971 | 0.0345 | 36.6902 | -10.01% |
| Philequity MSCI Philippine Index Fund, Inc. -a | 1.0181 | na. | na. | na. |
| Philequity PSE Index Fund Inc.* | 5.2235 | 0.0534 | 4.9704 | -11.72% |
| Philippine Stock Index Fund Corp.* | 872.08 | 0.0527 | 830.36 | -11.51% |
| Soldivo Strategic Growth Fund, Inc. * | 0.8514 | -0.01 | 0.861 | -10.15% |
| Sun Life Prosperity Philippine Equity Fund, Inc.* | 4.2091 | 0.037 | 4.0643 | -10.59% |
| Sun Life Prosperity Philippine Stock Index Fund, Inc.* | 1.0008 | 0.0487 | 0.9565 | -11.84% |
| United Fund, Inc.* | 3.6533 | 0.0436 | 3.5002 | -8.63% |
| Exchange Traded Fund | | | | |
| First Metro Phil. Equity Exchange Traded Fund, Inc.* *** ● | 116.954 | 0.056 | 110.9856 | -11.19% |
| Primarily invested in foreign currency securities | | | | |
| ATRAM AsiaPlus Equity Fund, Inc.** | \$1.0284 | 0.1069 | \$0.9256 | -14.9% |
| Sun Life Prosperity World Voyager Fund, Inc.* | \$1.3787 | 0.2475 | \$1.0903 | -13.48% |
| Balanced Funds | | | | |
| Primarily invested in Peso securities | | | | |
| ATRAM Dynamic Allocation Fund, Inc.* | 1.5628 | -0.0535 | 1.6537 | -10.67% |
| ATRAM Philippine Balanced Fund, Inc.* | 2.1811 | -0.0127 | 2.2096 | -9.54% |
| First Metro Save and Learn Balanced Fund Inc.* | 2.6315 | 0.0348 | 2.5423 | -7.66% |
| First Metro Save and Learn F.O.C.C.U.S. Dynamic Fund, Inc. | 0.2285 | na. | na. | na. |
| Grepalife Balanced Fund Corporation* **** | N.S. | N.S. | 1.3061 | -9.86% |
| NCM Mutual Fund of the Phils., Inc.* | N.S. | N.S. | 1.8446 | -6.6% |
| PAMI Horizon Fund, Inc.* | 3.7891 | 0.0736 | 3.5357 | -8.95% |
| Philam Fund, Inc.* | 16.9606 | 0.0662 | 15.9137 | -8.62% |
| Solidaritas Fund, Inc.* ***** | 2.1258 | 0.0274 | 2.0715 | -7.24% |
| Sun Life of Canada Prosperity Balanced Fund, Inc.* | 3.8638 | 0.0582 | 3.6542 | -8.09% |
| Sun Life Prosperity Achiever Fund 2028, Inc. | 1.0157 | na. | na. | na. |
| Sun Life Prosperity Achiever Fund 2038, Inc. | 0.9964 | na. | na. | na. |
| Sun Life Prosperity Achiever Fund 2048, Inc. | 0.9932 | na. | na. | na. |
| Sun Life Prosperity Dynamic Fund, Inc.* | 0.9748 | 0.0576 | 0.9212 | -8.96% |
| Primarily invested in foreign currency securities | | | | |
| Cocolife Dollar Fund Builder, Inc.* | \$0.03823 | 0.083 | \$0.03519 | -2.49% |
| PAMI Asia Balanced Fund, Inc.* | \$1.0379 | 0.1359 | \$0.9254 | -11.78% |
| Sun Life Prosperity Dollar Advantage Fund, Inc.* | \$3.9108 | 0.182 | \$3.296 | -9.44% |
| Sun Life Prosperity Dollar Wellspring Fund, Inc.* | \$1.1288 | 0.1232 | \$1.0056 | -9.3% |
| Bond Funds | | | | |
| Primarily invested in Peso securities | | | | |
| ALFM Peso Bond Fund, Inc.* | 343.38 | 1.87% | 337.07 | 2.30% |
| ATRAM Corporate Bond Fund, Inc. * ***** | 1.8589 | -1.76% | 1.8923 | -0.90% |
| Cocolife Fixed Income Fund, Inc.* | 2.9708 | 5.44% | 2.8184 | 5.32% |
| Ekklesia Mutual Fund Inc.* | 2.1305 | 1.27% | 2.1037 | 1.63% |
| First Metro Save and Learn Fixed Income Fund, Inc.* | 2.209 | -0.32% | 2.215 | 0.49% |
| Grepalife Fixed Income Fund Corp.* | P 1.5639 | -2.83% | P 1.6095 | 3.23% |
| Philam Bond Fund, Inc.* | 3.92 | -3.21% | 4.05 | 0.39% |
| Philequity Peso Bond Fund, Inc.* | 3.5171 | 0.35% | 3.5049 | 0.95% |
| Soldivo Bond Fund, Inc. * | 0.8925 | -3.33% | 0.9232 | 0.18% |
| Sun Life of Canada Prosperity Bond Fund, Inc.* | 2.7652 | -0.41% | 2.7767 | 4.06% |
| Sun Life Prosperity GS Fund, Inc.* | 1.5396 | -0.63% | 1.5495 | 3.79% |

| | | | | |
|--|-------------|--------|-------------|-------|
| Primarily invested in foreign currency securities | | | | |
| ALFM Dollar Bond Fund, Inc. * | \$448.28 | 0.55% | \$445.85 | 3.21% |
| ALFM Euro Bond Fund, Inc. * | €212.65 | -0.5% | €213.71 | 2.06% |
| ATRAM Total Return Dollar Bond Fund, Inc. *** | \$1.1254 | -0.82% | \$1.1342 | 3.49% |
| First Metro Save and Learn Dollar Bond Fund, Inc. * | \$0.0249 | -0.4% | \$0.025 | 1.21% |
| Grepalife Dollar Bond Fund Corp. * | \$1.6903 | -4.58% | \$1.7715 | 3.51% |
| MAA Privilege Dollar Fixed Income Fund, Inc. | N.S. | N.S. | N.S. | N.S. |
| MAA Privilege Euro Fixed Income Fund, Inc. | €N.S. | N.S. | €N.S. | N.S. |
| PAMI Global Bond Fund, Inc.* | \$1.035 | -3.64% | \$1.0748 | 2.99% |
| Philam Dollar Bond Fund, Inc.* | \$2.1708 | -3.56% | \$2.2512 | 4.45% |
| Philequity Dollar Income Fund Inc.* | \$0.0569814 | -0.41% | \$0.0572159 | 1.51% |
| Sun Life Prosperity Dollar Abundance Fund, Inc.* | \$2.8719 | -4.67% | \$3.0128 | 3.95% |
| Money Market Funds | | | | |
| Primarily invested in Peso securities | | | | |
| ALFM Money Market Fund, Inc. * | 120.84 | 2.76% | 117.6 | 1.73% |
| Philam Managed Income Fund, Inc.* | 1.1813 | 2.06% | 1.1574 | 0.83% |
| Sun Life Prosperity Money Market Fund, Inc.* | 1.2187 | 2.67% | 1.1871 | 2.24% |
| Primarily invested in foreign currency securities | | | | |
| Sun Life Prosperity Dollar Starter Fund, Inc.* **** | \$1.0157 | 1.7% | \$0.9986 | n.a. |
| FEEDER FUND | | | | |
| Primarily invested in foreign currency securities | | | | |
| ALFM Money Market Fund, Inc. | \$0.99 | n.a. | n.a. | n.a. |

C. Top Five (5) Indicators

Philequity 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 PEFI, 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 PEFI. A negative forecast on the other hand, is bearish for stocks and PEFI.
- (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 PEFI. Similarly, a low market P/E Ratio is a signal that it is worth increasing PEFI'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 PEFI.

| Key Indicators | | 2020 | | 2019 | |
|----------------------------|---------|-----------------------------|---------|----------------------------|--|
| PHISIX | End-Dec | 7,139.71 | End-Dec | 7,815.26 | |
| GNP growth | 4Q | 12.00% | 4Q | -12.00% | |
| GDP growth | 4Q | -8.30% | 4Q | 6.40% | |
| P/E Ratio | End-Dec | 28.63 | End-Dec | 17.26 | |
| Foreign Buying and Selling | 4Q | Php 23.91B Net Foreign Sell | 4Q | Php18.21B Net Foreign Sell | |

D. Other Matters

There are no events that will trigger direct or contingent financial obligations that are material to Philequity Fund, Inc. Neither are there material off-balance sheet transactions, arrangements, obligations and other relationships of Philequity 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 PEFI's continuing operations.

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

Income Statement Items – Y2020 versus Y2019

265.03% decrease in net unrealized loss in change of fair value

Decreased in market value of equity investment significantly impacted the movement of balance.

16.21% decrease in dividend income

Attributable to decrease in investment in stocks with dividend declaration for the year

55.18% decrease in interest income

Mainly from lower interest rate on short-term investments during the year

18.34% decrease in taxes and licenses

Due to the lesser sales taxes and business tax paid for the year.

33.27% decrease in commission expense

Due to decrease in lesser transactions with broker for the year.

15.43% decrease in transaction costs

Mainly due to slight decrease in buying activities of equity securities

-42.66% decrease in director's fees

Due to decrease in number of meetings and lower fees paid to directors.

6.50% Decrease in professional fees

Attributable to decrease in legal and other professional fees paid for the year.

Balance Sheet Items – Y2020 versus Y2019

24.01% decrease in cash and cash equivalents

Attributable to lower money market placements outstanding as of reporting period

510.46% increase in loans and receivable

Primarily attributable to increase in outstanding receivable of proceeds from sale of equity securities

113.50% decrease in accrued expenses and other liabilities

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.

ITEM 7.**A. 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 A. Tan, an independent director. The two other members of the Committee are Mr. Felipe U. Yap, Mr. Norman Wee 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 C. Sabado was the partner in charge for the year 2017 and Mr. Juan Carlo B. Maminta for 2018 onwards.

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 | 2020 | 2019 |
|---|-------------|-------------|
| 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. | 352,196 | 343,606 |
| 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 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, 2020 | As of December 31, 2019 |
|---|-------------------------------------|-------------------------|-------------------------|
| Percentage of Investment in a single enterprise to Net Asset Value: | | | |
| | | As of December 31, 2020 | As of December 31, 2019 |
| | INVESTMENT IN SHARES: | | |
| AC | Ayala Corporation | 7.18% | 5.78% |
| ACEN | AC Energy Philippines, Inc. | 1.16% | 0.03% |
| AEV | Aboitiz Equity Ventures | 3.29% | 3.05% |
| AGI | ALLIANCE GLOBAL INC | 1.46% | 1.28% |
| ALI | Ayala Land, Inc. | 7.49% | 9.18% |
| ALI-PS | Ayala Land, Inc. - Preferred shares | 0.01% | 0.01% |
| AP | Aboitiz Power Corp. | 0.61% | 0.75% |
| APVI | Altus Property Venture Inc. | 0.01% | 0.00% |
| BDO | BDO Unibank, Inc. | 4.49% | 8.10% |
| BLOOM | BLOOMBERRY RESORTS CORPORATION | 0.14% | 0.13% |
| BPI | Bank of the Phil. Island | 4.55% | 4.98% |
| CEB | Cebu Air, Inc. | 0.13% | 0.21% |
| DMC | DMCI Holdings, Inc. | 0.26% | 0.11% |
| DNL | D&L Industries Inc | 0.46% | 0.36% |
| EEI | Engineering Equip. Inc. | 0.07% | 0.08% |
| EMP | Emperador Inc. | 0.05% | 0.00% |
| EW | Eastwest Bank | 0.04% | 0.00% |
| FB | San Miguel Food and Beverage, Inc. | 0.02% | 0.08% |
| FGEN | First Gen Corporation | 0.20% | 0.02% |
| FLI | Filinvest Land Inc. | 0.34% | 0.43% |
| GLO | Globe Telecom, Inc. | 1.50% | 1.88% |
| GTCAP | GT CAPITAL HOLDINGS INC. | 1.12% | 1.60% |
| HOME | All Home Inc. | 0.10% | 0.00% |
| ICT | Intl. Cont. Terminal Serv. Inc. | 3.83% | 3.40% |
| JFC | Jollibee Foods Corp. | 2.87% | 1.58% |
| JGS | J.G. Summit Holdings Corp. | 5.17% | 4.42% |
| LTG | LT Group, Inc. | 0.41% | 0.39% |
| MBT | Metro Bank & Trust Co. | 3.54% | 4.19% |
| MEG | Megaworld Prop. & Holdings, Inc. | 1.63% | 1.39% |
| MER | MERALCO | 0.98% | 1.17% |
| MPI | METRO PACIFIC INVESTMENTS CORP. | 2.83% | 1.32% |
| MWC | Manila Water Co., Inc. | 0.15% | 0.04% |
| NIKL | NICKEL ASIA CORP. | 0.73% | 0.20% |
| PCOR | Petron Corporation | 0.03% | 0.03% |
| PGOLD | PUREGOLD PRICE CLUB, INC. | 0.84% | 0.86% |
| PLC | Premium Leisure Corp | 0.01% | 0.02% |
| PNB | Philippine National Bank | 0.11% | 0.33% |
| RLC | Robinson Land Corp. | 1.01% | 0.59% |
| RRHI | ROBINSONS RETAIL HOLDINGS INC | 0.27% | 0.06% |
| SECB | Security Bank Corp. | 1.94% | 1.65% |
| SM | SM Investment Corp. | 13.18% | 12.77% |
| SMC | San Miguel Corporation | 1.28% | 1.61% |
| SMPH | SM Prime Holdings, Inc. | 9.38% | 10.27% |
| SSI | SSI Group, Inc. | 0.05% | 0.16% |
| TEL | Phil. Long Dis Tel Co. | 3.87% | 1.84% |
| URC | Universal Robina | 4.90% | 3.88% |
| VLL | Vista Land & Lifescapes, Inc | 0.44% | 0.41% |
| WLCON | Wilcon Depot, Inc. | 0.03% | 0.03% |

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

| | | As of December 31, 2020 | As of December 31, 2019 |
|---|---------------------------------------|-------------------------|-------------------------|
| Total Investment of the Fund to the Outstanding Shares of an Investee Company: | | | |
| AC | Ayala Corporation | 0.15% | 0.13% |
| ACEN | AC Energy Philippines, Inc. | 0.10% | 0.02% |
| AEV | Aboitiz Equity Ventures | 0.13% | 0.12% |
| AGI | ALLIANCE GLOBAL INC | 0.15% | 0.13% |
| ALI | Ayala Land, Inc. | 0.13% | 0.16% |
| ALI-PS | Ayala Land, Inc. | 0.10% | 0.10% |
| AP | Aboitiz Power Corp. | 0.03% | 0.03% |
| APVI | Altus Property Venture Inc. | 0.04% | 0.00% |
| BDO | BDO Unibank, Inc. | 0.10% | 0.13% |
| BLOOM | BLOOMBERRY RESORTS CORPORATION | 0.02% | 0.01% |
| BPI | Bank of the Phil. Island | 0.13% | 0.14% |
| CEB | Cebu Air, Inc. | 0.05% | 0.04% |
| DMC | DMCI Holdings, Inc. | 0.04% | 0.01% |
| DNL | D&L Industries Inc | 0.09% | 0.06% |
| EAGLE | Eagle Cement Corporation | | 6.00% |
| EEI | Engineering Equip. Inc. | 0.09% | 0.09% |
| EMP | Emperador Inc. | 0.00% | 0.00% |
| EW | East West Banking Corp | 0.02% | 0.00% |
| FB | San Miguel Food and Beverage, Inc. | 0.00% | 0.00% |
| FGEN | First Gen Corporation | 0.02% | 0.16% |
| FLI | Filinvest Land Inc. | 0.13% | 0.13% |
| GLO | Globe Telecom, Inc. | 0.06% | 0.08% |
| GTCAP | GT CAPITAL HOLDINGS INC. | 0.09% | 0.10% |
| HOME | All Home Inc. | 0.03% | 0.00% |
| ICT | Intl. Cont. Terminal Serv. Inc. | 0.16% | 0.15% |
| JFC | Jollibee Foods Corp. | 0.14% | 0.08% |
| JGS | J.G. Summit Holdings Corp. | 0.10% | 0.09% |
| LTG | LT Group, Inc. | 0.03% | 0.03% |
| MAC | MacroAsia Corporation | | 0.39% |
| MBT | Metro Bank & Trust Co. | 0.17% | 0.16% |
| MEG | Megaworld Prop. & Holdings, Inc. | 0.13% | 0.12% |
| MER | MERALCO | 0.03% | 0.04% |
| MPI | METRO PACIFIC INVESTMENTS CORP. | 0.23% | 0.14% |
| MWC | Manila Water Co., Inc. | 0.05% | - |
| NIKL | Nickel Asia Corporation | 0.10% | 0.05% |
| PCOR | Petron Corporation | 0.01% | 0.01% |
| PGOLD | PUREGOLD PRICE CLUB, INC. | 0.08% | 0.09% |
| PIP | Pepsi-Cola Products Philippines, Inc. | | 0.01% |
| PLC | Premium Leisure Corp | 0.01% | 0.01% |
| PNB | Philippine National Bank | 0.03% | 0.07% |
| RLC | Robinson Land Corp. | 0.10% | 0.05% |
| RRHI | Robinsons Retail Holdings, Inc. | 0.03% | 0.01% |
| SCC | Semirara Mining Corp. | 0.00% | 0.03% |
| SECB | Security Bank Corp. | 0.20% | 0.13% |
| SM | SM Investment Corp. | 0.11% | 0.12% |
| SMC | San Miguel Corporation | 0.04% | 0.05% |
| SMPH | SM Prime Holdings, Inc. | 0.09% | 0.10% |
| SSI | SSI Group, Inc. | 0.11% | 0.20% |
| TEL | Phil. Long Dis Tel Co. | 0.14% | 0.10% |
| URC | Universal Robina | 0.16% | 0.14% |
| VLL | Vista Land & Lifescapes, Inc | 0.08% | 0.05% |
| WLCON | Wilcon Depot, Inc. | 0.00% | 0.00% |

| | | As of December 31, 2020 | As of December 31, 2019 |
|--|--|----------------------------|----------------------------|
| Total Investment in Liquid or Semi-Liquid Assets to Total Assets | | 5.84% | 7.26% |
| Total Operating Expenses to Total Net Worth | | 1.61% | 1.98% |
| Total Assets to Total Borrowings | | 11999.42% | 23178.22% |

As of December 31, 2020 and December 31, 2019, the Fund's average daily net asset value is Php 9,673,814,399 and Php 11,854,858,112 respectively

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

| | Number of Investors | Percentage of Investment | Number of Shares |
|---------------|---------------------|--------------------------|------------------|
| Retail | 23,742 | 39.57% | 121,288,068 |
| Institutional | 14,890 | 60.43% | 185,206,835 |

(vii) Geographic Concentration of Investments

| Country | No. of Investors | Percentage of investment | No. of shares |
|--------------------------------|------------------|--------------------------|---------------|
| Bahamas | 1 | 0.00% | 420 |
| Cambodia | 2 | 0.00% | 16,424 |
| Canada | 3 | 0.00% | 7,649 |
| China | 7 | 0.37% | 1,141.13 |
| France | 1 | 0.02% | 53,061 |
| Germany | 1 | 0.00% | 1,281 |
| India | 2 | 0.00% | 2,242 |
| Indonesia | 7 | 0.02% | 93,314 |
| Ireland | 1 | 0.03% | 85,912 |
| Italy | 1 | 0.00% | 5,628 |
| Malaysia | 1 | 0.00% | 888 |
| New Zealand | 4 | 0.00% | 11,314 |
| Panama | 2 | 0.00% | 664 |
| Philippines | 38,586 | 85.07% | 305,003,059 |
| Qatar | 2 | 0.00% | 425 |
| Singapore | 1 | 0.00% | 1,847 |
| South Korea | 1 | 0.00% | 2,783 |
| Taiwan | 2 | 0.00% | 13,734 |
| United Kingdom (UK) | 2 | 0.00% | 1,201 |
| United States of America (USA) | 4 | 0.02% | 51,718 |
| Venezuela | 1 | 0.00% | 205 |

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 | Period Served |
|----------------------|----------------------|--------------------|------------|----------------------|
| Ignacio B. Gimenez | Chairman/President | Filipino | 75 | 2006 to present |
| Violeta O. Luym | Director/Treasurer | Filipino | 76 | 2000 to present |
| Aurora L. Shih | Director | Filipino | 80 | 2013 to present |
| Ramon Y. Sy | Director | Filipino | 81 | 2013 to present |
| Felipe U. Yap | Director | Filipino | 82 | 2000 to present |
| Dobbin Tan | Independent Director | Filipino | 55 | 2018 to present |
| Gregorio U. Kilayko | Independent Director | Filipino | 65 | 2013 to present |
| Jonathan Ong | Corporate Secretary | Filipino | 54 | 2020 to present |
| Kevin Sy | Assistant Treasurer | Filipino | 35 | 2014 to present |
| Ma. Angelica Cabanit | Assistant Treasurer | Filipino | 50 | 2013 to present |

Ignacio B. Gimenez

Mr. Gimenez is the Chairman and President of the Fund. Mr. Gimenez is the Chairman of Philequity Management, Inc. He is also the Chairman and President of the following mutual fund: Philequity Dollar Income Fund, Inc., Philequity PSE Index Fund, Inc., Philequity Peso Bond Fund, Inc., (1999 to present), Philequity Dividend Yield Fund (2012 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).

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.

Norman L. Wee

Mr. Wee is the Independent Director of 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 Chief Financial Officer of W Landmark Inc. and Chief Financial Officer of W Landmark Inc. He is also a Director and Vice President of W Hydrocolloids Inc. Mr. Wee holds a Bachelor's Degree in AB Management from De La Salle University College of St. Benilde.

Felipe U. Yap

Mr. Yap is a Director of the Fund. Since 1988 until the present year, he is the Chairman of the Board and Chief Executive Officer of Lepanto Consolidated Mining Company, Lepanto Investment & Development Corporation, Diamant Boart Philippines, Inc., Diamond Drilling Corporation of the Philippines, Far Southeast Gold Resources, Inc., and Shipside, Inc. He is the Chairman of the Board of First-Lepanto Taisho Insurance Corporation (1989-present), Lepanto Ceramics, Inc. (1990-present), and Prime Orion Philippines, Inc. (2000-present), Yapster e-Conglomerate (2000-present), and Zeus Holdings, Inc. (2001-present). He is the President of BA-Lepanto Condominium Corporation (1988-present) and Director of the following Philippine Corporation namely: Cyber Bay Corporation (2000-present), Manila Peninsula Hotel, Inc. (1994-present), Philippine Associated Smelting and Refining Corporation (2000-present), Philippine Fire and Marine Insurance Corporation (1988-present). Until 2006, he was Chairman of the Board of Pepsi Cola Products Phils., Inc. and a director of South China Petroleum & Exploration, Inc. He also holds membership in the following organizations: Management Association of the Philippines, The Conference Board, and Makati Business Club. He holds a degree in B.S. Philosophy from the University of San Carlos, Cebu City.

Violeta O. Luym

Ms. Luym has been a Director and Treasurer of the Fund since 1994. She is also currently a director of the following corporations: (a) Vantage Equities, Inc. (2003 - present) (b) BDO Capital & Investment Corporation (1998 - present) and (c) Tangiers Resources Corporation (1997 - present). She is the Chairman of the Board of BDO Financial Services, Inc. (1998 - present) and was a director of Banco de Oro Universal Bank from 1967 to 2006. She holds a Masters Degree in Business Administration from the University of California Los Angeles and a Bachelor of Science Degree in Business Administration from the Assumption College.

Aurora L. Shih

Ms. Shih is currently the Director and Treasurer of the following Companies: International Copra Export Corporation, InterCo Manufacturing Corporation, ICEC Insurance Company, Inc. She is also a Director of Luys Securities Company, Inc. and

ICEC Land Corporation. Ms. Shih graduated from the Ateneo de Zamboanga and University of the East.

Ramon Y. Sy

Mr. Sy is currently the Chairman of the following companies: Ramsy Corporation, Philippine General Insurance Corporation, Xcell Property Ventures, Inc., Travelman, Inc., and Philippine Dealing System Holding Corporation. He is the President of the Bankers Association of the Philippines and holds directorships in the following corporations: Metropolitan Bank and Trust Company, Meridian Assurance Corporation, Pamantasan ng Lungsod ng Muntinlupa, Salcon Power Corporation, Asian Alliance Holdings and Development Corporation, Philippine Equities, Inc., Philippine Securities Settlement Corporation, Philippine Dealing and Exchange Corporation and Philippine Depository and Trust Corporation. He was formerly the President and CEO of International Exchange Bank. He graduated with a Bachelor of Science in Commerce from Far Eastern University and Master of Business Administration from 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.

Jonthan Ong

Atty. Jonathan P. Ong obtained his Bachelor of Science (Economics) degree from the U.P. School of Economics on April 2, 1989 and his Bachelor of Laws degree from the U.P. College of Law on April 24, 1993. He took the bar examinations in September 1993 and was admitted to the Philippine Bar on March 15, 1994. He joined the law firm of Atty. Mario E. Ongkiko sometime in 1994. In June 1996 he became in-house counsel of the erstwhile International Exchange Bank until August 31, 2006. He then joined Maybank Philippines (MPI) in May 2007, a position which he held until July 19, 2019. He was also the Corporate Secretary of the affiliates of MPI in the Philippines – Philmay Property, Inc. and Philmay Holdings, Inc. He is currently special counsel to the Disini Buted and Disini law offices, which he advises on matters involving banking and litigation, and a senior associate at the Valerio Law Offices. He is also currently the Corporate Secretary of Kinderheim, Inc., a small family owned educational institution.

Independent Directors

Messrs. Wee and Tan qualify as independent directors of PEFI 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

Divina Law Office

18th Floor, Pacific Star Building, Sen Gil Puyat Ave
Makati City, Philippines

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

In May, 2013, the BIR filed a P169.83M case for tax evasion against Philmay Property, Inc. (PPI) an affiliate of Maybank Philippines, Inc. Included in the case were its President and CEO – Mr. Ong Seet Joon, Treasurer – Atty. Rafael A. Morales, Corporate Secretary – Atty. Jonathan P. Ong, Sales and Marketing Head – Mr. Benjamin Q. Lira and Accounting Associate Michelle F. Reyes. The case arose from PPI's supposed tax deficiencies, as follows: tax deficiencies, including surcharge and interest: P37.81 million in income tax deficiency P73.13 million in value-added tax deficiencies P15.57 million in documentary stamp tax deficiency P43.32 million in expanded withholding tax. The proceedings in the DOJ were suspended because PPI questioned the assessments on which the tax evasion case was based on with the Court of Tax Appeals (CTA). On May 23, 2018 the CTA second division issued a decision cancelling and withdrawing the assessments on which the tax evasion case of the BIR was based on, but ordered PPI to pay the amount of P276,381.24 as deficiency DST for fiscal year 2009, plus interest and surcharges, which it did. The BIR filed a motion for reconsideration but it was denied. The BIR elevated the decision of the CTA 2nd division to the CTA en banc. On February 5, 2020 the CTA en banc affirmed with modification the decision of the CTA 2nd Division and declared the assessments on which the BIR's case for tax evasion was based on as null and void. The BIR appealed this to the Supreme Court in February 2020.

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 | SALARY | BONUS | OTHER ANNUAL COMPENSATION |
|---|------|--------|-------|------------------------------|
| Ignacio B. Gimenez <i>Director/Chairman/President</i> | | | | |
| Violeta O. Luym <i>Director/Treasurer</i> | | | | |
| Jonathan Ong <i>Corporate Secretary</i> | | | | |
| Dobbin A. Tan Norman L. Wee Felipe U. Yap Aurora L. Shih Ramon Y. Sy <i>Directors</i> | | | | |
| All directors as a group unnamed | 2019 | none | none | none |
| | 2018 | none | none | none |
| | 2017 | none | none | none |
| | 2016 | none | none | none |
| | 2015 | none | none | none |
| | 2014 | none | none | none |
| | 2018 | none | none | none |
| | 2017 | none | none | none |
| | 2016 | none | none | none |
| | 2015 | none | none | none |
| | 2014 | none | none | none |
| | 2018 | none | none | none |

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 of the Fund as of December 31, 2020.

| Class | Name of Director | Citizenship | No. of Shares | Percentage |
|--------------|-------------------------|--------------------|----------------------|-------------------|
| Common | Ignacio B. Gimenez | Filipino | 5 | 0.00% |
| Common | Violeta O. Luym | Filipino | 191,215 | 0.06% |
| Common | Dobbin A. Tan | Filipino | 1 | 0.00% |
| Common | Norman L. Wee | Filipino | 33,065 | 0.01% |
| Common | Felipe U. Yap | Filipino | 1,556,875 | 0.51% |
| Common | Aurora L. Shih | Filipino | 1 | 0.00% |
| Common | Ramon Y. Sy | Filipino | 442,469 | 0.14% |

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

PEFI 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 3.50% 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, 2020, 2019 and 2018 are as follows:

| | Management Fee | Sales Commission | Due to PEMI |
|------|-------------------|---------------------|-------------|
| 2020 | 162,527,702 | 541,540 | 13,490,675 |
| 2019 | 199,714,724 | 746,367 | 14,229,593 |
| 2018 | 196,650,932 | 1,788,645 | 14,222,857 |

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

PEFI 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 18 September 2020**

Results of Annual Stockholder’s Meeting held on September 17, 2020

- **Filed on 18 August 2020**

2020 Annual Stockholders’ Meeting Record Date

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 CITY OF MANILA on APR 13 2021

PHILEQUITY FUND, INC.

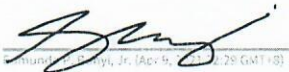
By:



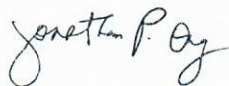
IGNACIO B. GIMENEZ
Chairman & President¹



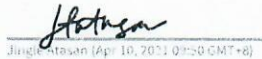
VIOLETA O. LUYM
Treasurer²


Jonathan P. Ong, Jr. (Apr 12, 2021 04:29 GMT+8)

MA. ANGELICA D. CABANIT
Compliance Officer



ATTY. JONATHAN P. ONG
Corporate Secretary


Jonathan P. Ong, Jr. (Apr 12, 2021 04:29 GMT+8)

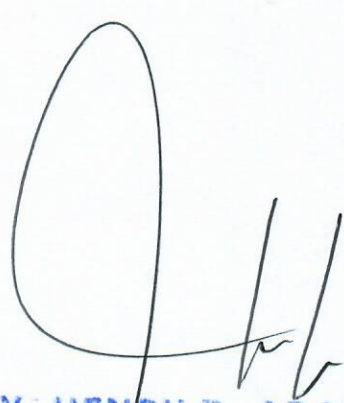
| Name | TIN |
|-------------------------|-------------|
| Ignacio B. Gimenez | 228-111-486 |
| Violeta O. Luym | 109-731-437 |
| Ma. Angelica D. Cabanit | 107-184-956 |
| Jonathan P. Ong | 162-906-632 |

¹ equivalent to Principal Executive Officer / Principal Operating Officer

² equivalent to Principal Financial Officer

SUBSCRIBED AND SWORN TO BEFORE ME THIS APR 13 2021
DAY OF 20 IN THE CITY OF MANILA, APPLICANT EXHIBITING
TO ME HIS/HER WITH NO. ISSUED
ON VALID UNTIL ISSUED AT

DOC. NO. 175
PAGE NO. 86
BOOK NO. 111
SERIES OF 2021



ATTY. HENRY D. ADASA
NOTARY PUBLIC CITY OF MANILA
UNTIL DECEMBER 31, 2021
NOTARIAL COMMISSION 097 MLA
IBP NO. 141253 - 01/04/2021, PASIG
PTR NO. 9826148 - 01/05/2021 MLA
ROLL NO. 29679, TIN: 172-528-620
② MCLE COMPL. NO. VII-0000165
URBAN DECA HOME MANILA, B-2, UNIT 355

PHILEQUITY 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, 2020 and 2019

Statements of Income and Retained Earnings for the

Years Ended December 31, 2020, 2019 and 2018

Statements of Cash Flows for the Years Ended

December 31, 2020, 2019 and 2018

Notes to Financial Statements

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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

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| (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.

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COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|--|
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COMPANY NAME

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

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 5 | t | h | | A | v | e | . | , | | B | o | n | i | F | a | c | i | o | | G | l | o | b | a | l | | C | i | t | |
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Department requiring the report

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| S | E | C | |
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Secondary License Type, If Applicable

| | | | |
|---|---|---|--|
| N | / | A | |
|---|---|---|--|

COMPANY INFORMATION

Company's Email Address

N/A

Company's Telephone Number

8250-8750

Mobile Number

N/A

No. of Stockholders

38,632

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. Angelica Cabanit

Email Address

angelica.cabanit@philequity.net

Telephone Number/s

8250-8713

Mobile Number

0917-590-7176

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.





Jingle Atasan <jingle.atasan@e-businessphil.ph>

SEC CiFSS-OST Initial Acceptance

noreply-cifssost@sec.gov.ph <noreply-cifssost@sec.gov.ph>

Wed, May 12, 2021 at 3:05 PM

Greetings!

SEC Registration No: AS94001656

Company Name: PHILEQUITY FUND, INC.

Document Code: AFS

This serves as temporary receipt of your submission.

Subject to verification of form and quality of files of the submitted report.

Another email will be sent as proof of review and acceptance.

[Quoted text hidden]

Fwd: Your BIR AFS eSubmission uploads were received

Nikki Pocong <nikki.pocong@e-businessphil.ph>

Sat, May 1, 2021 at 8:20 AM

To: Claudell Dwarlyn Mendez <claudelldwarlyn.mendez@e-businessphil.ph>

----- Forwarded message -----

From: <eafs@bir.gov.ph>

Date: Fri, 30 Apr 2021, 23:01

Subject: Your BIR AFS eSubmission uploads were received

To: <EMILPAOLO.DUERME@e-businessphil.ph>

Cc: <NIKKI.POCONG@e-businessphil.ph>

Hi PHILEQUITY FUND, INC.,

Valid files

- EAFS003868545RPTTY122020.pdf
- EAFS003868545ITRTY122020.pdf
- EAFS003868545AFSTY122020.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-Q24Y1YVR0NPTZVMX2MZXV1X4X0QX3XSPYS**

Submission Date/Time: **Apr 30, 2021 10:47 PM**

Company TIN: **003-868-545**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

=====
DISCLAIMER
=====

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **Philequity Fund, Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached for the years ended December 31, 2020 and 2019, 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.:

TIN: 228-111-486



VIOLETA O. LUYM

Treasurer

CTC No.:

TIN: 109-731-437

Signed this 8th day of April, 2021.

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

APR 13 2021

at CITY OF MANILA

Doc. No. 199
Page No. 41
Book No. 111
Series of 2021



ATTY. HENRY D. ADASA

NOTARY PUBLIC CITY OF MANILA
UNTIL DECEMBER 31, 2021

NOTARIAL COMMISSION 097 MLA
IBP NO. 141253 - 01/04/2021, PASIG
PTR NO. 9826148 - 01/05/2021 MLA
ROLL NO. 29679, TIN: 172-528-620

21 MCLE COMPL. NO. VH-0000165
URBAN DECA HOME MANILA, B-2, UNIT 355

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philequity 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 Fund, Inc. (an open-end mutual fund company) (the Fund), which comprise the statements of financial position as at December 31, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020 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.

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.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

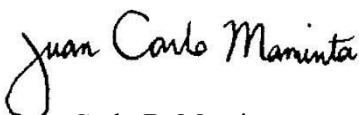
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 19 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philequity Fund, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Juan Carlo B. Maminta

Partner

CPA Certificate No. 115260

Accreditation No. 115260-SEC (Group A)

Valid to cover audit of 2020 to 2024

financial statements of SEC covered institutions

Tax Identification No. 210-320-399

BIR Accreditation No. 08-001998-132-2020,

November 27, 2020, valid until November 26, 2023

PTR No. 8534323, January 4, 2021, Makati City

April 8, 2021



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

STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|--|------------------------|-----------------|
| | 2020 | 2019 |
| ASSETS | | |
| Cash and cash equivalents (Note 6) | ₱628,070,280 | ₱826,483,052 |
| Financial assets at fair value through profit or loss (Note 7) | 10,036,000,385 | 10,542,934,123 |
| Loans and receivables (Note 8) | 82,264,310 | 13,475,745 |
| | ₱10,746,334,975 | ₱11,382,892,920 |
| LIABILITIES AND EQUITY | | |
| Liabilities | | |
| Accrued expense and other liabilities (Notes 9 and 16) | ₱89,557,150 | ₱49,110,299 |
| Equity | | |
| Capital stock (Note 11) | 306,494,903 | 299,067,115 |
| Additional paid-in capital | 9,401,575,739 | 9,094,006,192 |
| Retained earnings | 948,707,183 | 1,940,709,314 |
| | 10,656,777,825 | 11,333,782,621 |
| | ₱10,746,334,975 | ₱11,382,892,920 |
| Net Asset Value Per Share (Note 11) | ₱34.7698 | ₱37.8971 |

See accompanying Notes to Financial Statements.



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

STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|--|--------------------------------|--------------|------------------|
| | 2020 | 2019 | 2018 |
| INVESTMENT INCOME (LOSS) | | | |
| Trading and investment securities gains | | | |
| (losses) - net (Note 7) | (P857,539,852) | P430,644,866 | (P1,263,799,680) |
| Dividend income (Note 7) | 146,943,084 | 175,374,236 | 142,818,863 |
| Interest income (Note 6) | 17,437,519 | 38,902,723 | 23,039,114 |
| | (693,159,249) | 644,921,825 | (1,097,941,703) |
| OPERATING EXPENSES | | | |
| Management fee (Note 16) | 162,527,702 | 199,714,724 | 196,650,932 |
| Taxes and licenses | 11,643,669 | 14,258,125 | 31,477,952 |
| Commission | 11,204,875 | 13,249,086 | 17,404,380 |
| Directors' fees (Note 16) | 1,511,111 | 1,616,111 | 1,380,930 |
| Professional fees | 495,748 | 864,517 | 989,853 |
| Transaction costs (Note 7) | 323,394 | 484,638 | 448,702 |
| Others (Note 12) | 2,567,637 | 1,103,146 | 2,129,191 |
| | 190,274,136 | 231,290,347 | 250,481,940 |
| INCOME (LOSS) BEFORE INCOME TAX | (883,433,385) | 413,631,478 | (1,348,423,643) |
| PROVISION FOR FINAL TAX (Note 13) | 3,487,504 | 7,780,544 | 4,607,823 |
| TOTAL COMPREHENSIVE INCOME | | | |
| (LOSS)* | (P886,920,889) | P405,850,934 | (P1,353,031,466) |
| EARNINGS (LOSS) PER SHARE (Note 14) | (P2.9052) | P1.3385 | (P4.4145) |

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

See accompanying Notes to Financial Statements.



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

STATEMENTS OF CHANGES IN EQUITY

| | Number of Shares Outstanding (Note 11) | Capital Stock (Note 11) | Additional Paid-in Capital | Retained Earnings | Total Equity |
|-------------------------------------|--|----------------------------|-------------------------------|-----------------------|------------------------|
| Balance at January 1, 2020 | 299,067,115 | 299,067,115 | ₱9,094,006,192 | ₱1,940,709,314 | ₱11,333,782,621 |
| Shares issued during the year | 24,970,498 | 24,970,498 | 742,089,606 | — | 767,060,104 |
| Shares redeemed during the year | (17,542,710) | (17,542,710) | (434,520,059) | (105,081,242) | (557,144,011) |
| Total comprehensive income | — | — | — | (886,920,889) | (886,920,889) |
| Balance at December 31, 2020 | 306,494,903 | 306,494,903 | ₱9,401,575,739 | ₱948,707,183 | ₱10,656,777,825 |
| Balance at January 1, 2019 | 306,219,944 | ₱306,219,944 | ₱9,245,483,575 | ₱1,665,844,298 | ₱11,217,547,817 |
| Shares issued during the year | 24,750,292 | 24,750,292 | 926,263,848 | — | 951,014,140 |
| Shares redeemed during the year | (31,903,121) | (31,903,121) | (1,077,741,231) | (130,985,918) | (1,240,630,270) |
| Total comprehensive income | — | — | — | 405,850,934 | 405,850,934 |
| Balance at December 31, 2019 | 299,067,115 | ₱299,067,115 | ₱9,094,006,192 | ₱1,940,709,314 | ₱11,333,782,621 |
| Balance at January 1, 2018 | 301,640,187 | ₱301,640,187 | ₱8,400,915,573 | ₱3,693,481,712 | ₱12,396,037,472 |
| Shares issued during the year | 57,614,957 | 57,614,957 | 2,070,033,651 | — | 2,127,648,608 |
| Shares redeemed during the year | (53,035,200) | (53,035,200) | (1,225,465,649) | (674,605,948) | (1,953,106,797) |
| Total comprehensive loss | — | — | — | (1,353,031,466) | (1,353,031,466) |
| Balance at December 31, 2018 | 306,219,944 | ₱306,219,944 | ₱9,245,483,575 | ₱1,665,844,298 | ₱11,217,547,817 |

See accompanying Notes to Financial Statements.



PHILEQUITY FUND, INC.
(An Open-End Mutual Fund Company)
STATEMENTS OF CASH FLOWS

| | 2020 | 2019 | 2018 |
|---|---------------------|---------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Investment income before income tax | (P883,433,385) | P413,631,478 | (P1,348,423,643) |
| Adjustments for: | — | — | — |
| Net unrealized loss (gain) on changes in fair value of financial assets at fair value through profit or loss (Note 7) | 431,926,801 | (261,728,282) | 1,762,547,047 |
| Dividend income (Note 7) | (434,876) | — | — |
| Operating income before working capital changes | (451,941,460) | 151,903,196 | 414,123,404 |
| Decrease (increase) in: | | | |
| Financial assets at fair value through profit or loss | 75,441,813 | (379,119,890) | (43,369,541) |
| Loans and receivables | (68,788,565) | (5,167,046) | 31,247,509 |
| Other asset | — | — | 10,550 |
| Increase (decrease) in accrued expenses and other liabilities | 40,446,851 | (44,622,855) | 13,206,609 |
| Net cash generated from (used in) operations | (404,841,361) | (277,006,595) | 415,218,531 |
| Income taxes paid | (3,487,504) | (7,780,544) | (4,607,823) |
| Net cash provided by (used in) operating activities | (408,328,865) | (284,787,139) | 410,610,708 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from subscriptions of shares | 767,060,104 | 951,014,140 | 2,127,648,608 |
| Payments for redemptions of shares | (557,144,011) | (1,240,630,270) | (1,953,106,797) |
| Net cash provided by (used in) financing activities | 209,916,093 | (289,616,130) | 174,541,811 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (198,412,772) | (574,403,269) | 585,152,519 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 826,483,052 | 1,400,886,321 | 815,733,802 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6) | P628,070,280 | P826,483,052 | P1,400,886,321 |
| OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDEND | | | |
| Interest received | P18,255,829 | P41,848,778 | P19,462,903 |
| Dividends received | P145,188,858 | P175,157,686 | P145,490,009 |

See accompanying Notes to Financial Statements.



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

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Philequity Fund, Inc. (the Fund) was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on February 21, 1994 under the Philippine Investment Company Act (ICA) (Republic Act 2629), as an open-end mutual fund company. The Fund is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of securities, both debt and equity.

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

The registered address of the fund is 15th Floor, Philippine Stock Exchange Tower, 28th St. Corner 5th Ave., Bonifacio Global City, Taguig City, Metro Manila, Philippines.

The accompanying financial statements of the Fund were approved and authorized for issue by the Board of Directors (BOD) on April 8, 2021.

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 the 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 10.

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 pronouncements starting January 1, 2020. Adoption of these pronouncements did not have any significant impact on the Fund's financial position or performance, unless otherwise indicated.

- *Amendments to PFRS 3, Business Combinations, Definition of a Business*

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.



- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.



The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

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 the 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, 2020, 2019 and 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

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 fair value through other comprehensive income(FVOCI) with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets measured at amortized cost.

Contractual cash flows characteristics

The Fund assesses whether the cash flows from the financial asset represent "solely payments of principal and interests" or "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 SPPI 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, 2020 and 2019, the Fund has no financial assets at FVOCI.

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 FVOCI at initial recognition. The Fund's financial assets at FVTPL include equity securities held for trading purposes and equity investments not designated as at FVOCI.

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 gains (losses) - net' in the statement of income. Dividend earned on these investments is reported under is reported in the statement of income under 'Dividend income' when the right of payment has been established.



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 SPPI 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 'Loans and receivables'.

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, 2020 and 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'.

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, 2020 and 2019, 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

Expected credit loss (ECL)

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 significant increase in credit risk (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.

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 effective interest rate 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.

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.

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 (loss) 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 (outside the scope of PFRS 15)

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.

The specific recognition criteria described below must also be met before expense is recognized:

Management fee

Management fee is accrued over time at 1.50% of the average NAV of the Fund.

Taxes and licenses

This includes all other local taxes which are recognized when incurred.

Commissions

Commissions are recognized upon execution of trade.



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 carryforward 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 carryforward 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.

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.

Segment Reporting

For management purposes, the Fund is organized into one main operating segment, which invests in short term placements and equity instruments. All of the Fund's activities are interrelated and interdependent.

Accordingly, all significant operating decisions are based upon analysis of the Fund as one segment. The financial results from this segment are equivalent to the financial statements of the Fund as a whole.

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, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*



Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

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*

3. Significant Accounting Judgments

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

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.

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 therefrom, 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 30, 2020 and 2019, 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 5.00% 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 30, 2020 and 2019, the Fund's investments in liquid/semi-liquid assets in relation to total net assets is 5.89% and 7.29%, respectively.

The following table sets out the different investments as of December 30, 2020 and 2019 and their respective percentages to the total net assets of the Fund:

| | 2020 | 2019 |
|--|---------|---------|
| Financial assets at FVTPL - quoted equity securities | 94.17% | 93.02% |
| Cash and cash equivalents | 5.89% | 7.29% |
| Total Investments | 100.06% | 100.31% |

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 30, 2020 and 2019:

| | 2020 | | | | | | Total |
|---|-------------------|---------------------|---------------|----------------|--------------|-------------------|-------------------|
| | On demand | Less than 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | More than 5 years | |
| Financial Assets | | | | | | | |
| Cash and cash equivalents | P628,070,280 | P- | P- | P- | P- | P- | P628,070,280 |
| Financial assets at FVTPL | | | | | | | |
| Quoted equity securities | 10,036,000,385 | - | - | - | - | - | 10,036,000,385 |
| Loans and receivables: | | | | | | | |
| Due from broker | - | 76,184,076 | - | - | - | - | 76,184,076 |
| Dividends receivable | - | 6,080,234 | - | - | - | - | 6,080,234 |
| | 10,664,070,665 | 82,264,310 | - | - | - | - | 10,746,334,975 |
| Financial Liabilities | | | | | | | |
| Accrued expenses and other liabilities* | - | 85,429,389 | - | - | - | - | 85,429,389 |
| Redeemable shares | 10,656,777,825 | - | - | - | - | - | 10,656,777,825 |
| Net Asset (Liability) | P7,292,840 | (P3,165,079) | P- | P- | P- | P- | P4,127,761 |

*Excludes statutory obligations

| | 2019 | | | | | | Total |
|---|-----------------------|---------------------|---------------|----------------|--------------|-------------------|-------------------|
| | On demand | Less than 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | More than 5 years | |
| Financial Assets | | | | | | | |
| Cash and cash equivalents* | P326,883,052 | P500,998,810 | P- | P- | P- | P- | P827,881,862 |
| Financial assets at FVTPL | | | | | | | |
| Quoted equity securities | 10,542,934,123 | - | - | - | - | - | 10,542,934,123 |
| Loans and receivables: | | | | | | | |
| Due from broker | - | 7,896,551 | - | - | - | - | 7,896,551 |
| Dividends receivable | - | 4,760,884 | - | - | - | - | 4,760,884 |
| | P10,869,817,175 | P513,656,245 | P- | P- | P- | P- | P11,383,473,420 |
| Financial Liabilities | | | | | | | |
| Accrued expenses and other liabilities* | P- | P44,695,450 | P- | P- | P- | P- | P44,695,450 |
| Redeemable shares | 11,333,782,621 | - | - | - | - | - | 11,333,782,621 |
| Net Asset (Liability) | (P463,965,446) | P468,960,795 | P- | P- | P- | P- | P4,995,349 |

*Includes accrued interest receivable, and future interest

**Excludes statutory obligations

As of December 30, 2020 and 2019, 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 30, 2020 and 2019, 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 Philippine Stock Exchange index (PSEi), the benchmark portfolio for the Fund.

The table below shows the comparison of the volatility of the investment portfolio as of December 31, 2020 and 2019 measured by the Fund's annualized daily standard deviation and volatility of the PSEi.

| Volatility of investment portfolio | 2020 | 2019 |
|------------------------------------|--------|--------|
| The Fund | 23.20% | 13.28% |
| PSEi | 22.87% | 14.86% |

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, 2020 and 2019, 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, 2020 and 2019 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 PSEi | |
|---|--------------------------------------|-------------------------|
| 2020 | +13.256% | -13.256% |
| Effect on income before income tax | ₱1,309,232,226 | (₱1,309,232,226) |
| | | |
| | Percentage change in the PSEi | |
| 2019 | +14.269% | -14.269% |
| Effect on income before income tax | ₱1,515,349,235 | (₱1,515,349,235) |

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:

| | 2020 | 2019 |
|--|------------------------|-----------------|
| Holding firms | ₱3,855,090,612 | ₱3,662,585,264 |
| Property | 2,176,740,940 | 2,525,756,003 |
| Banks | 1,561,751,657 | 2,182,430,273 |
| Food, Beverage & Tobacco | 884,502,396 | 662,620,905 |
| Telecommunications | 572,512,900 | 422,251,136 |
| Transportation Services | 422,185,965 | 510,736,439 |
| Electricity, Energy, Power & Water | 317,903,873 | 365,366,549 |
| Retail | 126,827,300 | 127,130,663 |
| Mining | 77,746,480 | 48,694,977 |
| Casinos & Gaming | 16,874,620 | 16,862,250 |
| Electrical Components & Equipment | 16,417,852 | 4,427,864 |
| Construction, Infrastructure & Allied Services | 7,445,790 | 14,071,800 |
| | ₱10,036,000,385 | ₱10,542,934,123 |

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, 2020 and 2019:

| 2020 | | | | | |
|--------------------------------|-----------------|---|---|---|------------------|
| | 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 FVTPL | ₱10,036,000,385 | ₱10,036,000,385 | – | – | ₱10,036,000,385 |
| 2019 | | | | | |
| | 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 FVTPL | ₱10,542,934,123 | ₱10,542,934,123 | ₱– | ₱– | ₱10,542,934,123 |

In 2020 and 2019, there were no transfers among the three levels in the fair value hierarchy.

As of December 31, 2020 and 2019, 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:

| | 2020 | 2019 |
|-----------------------|--------------|--------------|
| Cash in banks | ₱628,070,280 | ₱326,883,052 |
| Short-term placements | – | 499,600,000 |
| | ₱628,070,280 | ₱826,483,052 |



Cash in banks earn annual interest at the prevailing bank deposit rates. Short-term placements are 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 0.20% to 3.99% and 1.00% to 6.75% in 2020 and 2019, respectively

Interest income on cash and cash equivalents amounted to ₱17.44 million, ₱38.90 million, and ₱23.04 million in 2020, 2019 and 2018, respectively.

Accrued interest receivable on cash and cash equivalents amounted to nil and ₱0.82 million as of December 31, 2020 and 2019, 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:

| | 2020 | 2019 |
|------------------------------|------------------------|-----------------|
| Balance at beginning of year | ₱10,542,934,123 | ₱9,902,085,951 |
| Acquisitions | 2,179,581,504 | 2,550,993,693 |
| Disposals | (2,254,588,441) | (2,171,873,803) |
| Changes in fair values | (431,926,801) | 261,728,282 |
| Balance at end of year | ₱10,036,000,385 | ₱10,542,934,123 |

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

| | 2020 | 2019 | 2018 |
|----------------------------------|-----------------------|--------------|------------------|
| Net realized gain (loss) on sale | (₱425,613,051) | ₱168,916,584 | ₱498,747,367 |
| Changes in fair values | (431,926,801) | 261,728,282 | (1,762,547,047) |
| | (₱857,539,852) | ₱430,644,866 | (₱1,263,799,680) |

Transaction costs incurred on investment in equities transactions include Securities Clearing Corporation of the Philippines fee (SCCP) amounting to ₱0.32 million , ₱0.48 million, and ₱0.45 million in 2020, 2019 and 2018, respectively.

Dividend income from financial assets at FVTPL follow:

| | 2020 | 2019 | 2018 |
|-------------------|---------------------|--------------|--------------|
| Cash dividends | ₱146,508,208 | ₱175,374,236 | ₱142,818,863 |
| Property dividend | 434,876 | — | — |
| | ₱146,943,084 | ₱175,374,236 | ₱142,818,863 |

Dividends receivable amounted to ₱6.08 million and ₱4.76 million as of December 31, 2020 and 2019, respectively (see Note 8).



8. Loans and Receivables

This account consists of:

| | 2020 | 2019 |
|--------------------------------------|--------------------|--------------------|
| Due from broker | ₱76,184,076 | ₱7,896,551 |
| Dividend receivable (Note 7) | 6,080,234 | 4,760,884 |
| Accrued interest receivable (Note 6) | — | 818,310 |
| | ₱82,264,310 | ₱13,475,745 |

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:

| | 2020 | 2019 |
|-------------------------------|--------------------|--------------------|
| Financial liabilities: | | |
| Due to broker | ₱27,364,443 | ₱15,622,875 |
| Accounts payable | 43,038,324 | 14,123,554 |
| Due to PEMI (Note 16) | 13,490,675 | 14,229,593 |
| Accrued expenses | 1,529,947 | 719,428 |
| | 85,423,389 | 44,695,450 |
| Nonfinancial liabilities: | | |
| Withholding tax payable | 4,122,391 | 4,403,457 |
| Documentary stamp tax payable | 11,370 | 11,392 |
| | 4,133,761 | 4,414,849 |
| | ₱89,557,150 | ₱49,110,299 |

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. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from reporting date:

| | 2020 | | | 2019 | | |
|----------------------------|----------------------------|-----------------------|------------------------|----------------------------|-----------------------|-----------------|
| | Less than twelve months | Over twelve months | Total | Less than twelve months | Over twelve months | Total |
| Financial Assets | | | | | | |
| Cash and cash equivalents: | | | | | | |
| Cash in banks | ₱628,070,280 | ₱— | ₱628,070,280 | ₱326,883,052 | ₱— | ₱326,883,052 |
| Short-term placements | — | — | — | 499,600,000 | — | 499,600,000 |
| Financial assets at FVTPL: | | | | | | |
| Quoted equity securities | ₱10,036,000,385 | ₱— | ₱10,036,000,385 | ₱10,542,934,123 | ₱— | ₱10,542,934,123 |

(Forward)



| | 2020 | | | 2019 | | |
|---------------------------------|----------------------------|-----------------------|------------------------|----------------------------|-----------------------|------------------------|
| | Less than twelve months | Over twelve months | Total | Less than twelve months | Over twelve months | Total |
| Loans and receivables: | | | — | | | |
| Due from broker | ₱76,184,076 | ₱— | ₱76,184,076 | ₱7,896,551 | ₱— | ₱7,896,551 |
| Dividends receivable | 6,080,234 | — | 6,080,234 | 4,760,884 | — | 4,760,884 |
| Accrued interest receivable | — | — | — | 818,310 | — | 818,310 |
| Total Financial Assets | ₱10,746,334,975 | ₱— | ₱10,746,334,975 | ₱11,382,892,920 | ₱— | ₱11,382,892,920 |
| Financial Liabilities | | | | | | |
| Due to broker | ₱27,364,443 | ₱— | ₱27,364,443 | ₱15,622,875 | ₱— | ₱15,622,875 |
| Accounts payable | 43,038,324 | — | 43,038,324 | 14,123,554 | — | 14,123,554 |
| Due to PEMI | 13,490,675 | — | 13,490,675 | 14,229,593 | — | 14,229,593 |
| Accrued expenses | 1,535,947 | — | 1,535,947 | 719,428 | — | 719,428 |
| | 85,429,389 | — | 85,429,389 | 44,695,450 | — | 44,695,450 |
| Nonfinancial Liabilities | | | | | | |
| Withholding tax payable | 4,116,391 | — | 4,116,391 | 4,403,457 | — | 4,403,457 |
| Documentary stamp tax payable | 11,370 | — | 11,370 | 11,392 | — | 11,392 |
| | 4,127,761 | — | 4,127,761 | 4,414,849 | — | 4,414,849 |
| Total Liabilities | ₱89,557,150 | ₱— | ₱89,557,150 | ₱49,110,299 | ₱— | ₱49,110,299 |

11. Equity

Capital Stock

The Fund's capital stock consists of:

| | 2020 | | 2019 | |
|--------------------------|---------------|----------------|---------------|----------------|
| | Shares | Amount | Shares | Amount |
| Common - ₱1.00 par value | | | | |
| Authorized | 1,000,000,000 | ₱1,000,000,000 | 1,000,000,000 | ₱1,000,000,000 |
| Issued and outstanding | 306,494,903 | 306,494,903 | 299,067,115 | 299,067,115 |

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

| | |
|----------------------|-------------------|
| Date of SEC Approval | Authorized Shares |
| February 21, 1994 | 1,000,000,000 |

As of December 31, 2020 and 2019, the total number of stockholders of the Fund is 38,632 and 38,606 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.

| | 2020 | 2019 |
|--|-----------------|-----------------|
| NAV attributable to holders of redeemable shares (a) | ₱10,656,777,825 | ₱11,333,782,621 |
| Number of shares outstanding (b) | 306,494,903 | 299,067,115 |
| NAV per share (a/b) | ₱34.7698 | ₱37.8971 |



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, 2020 and 2019, 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, 2020 and 2019.

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, 2020 and 2019, 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, 2020 and 2019, 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.



12. Other Expenses

Breakdown of other expenses is as follows:

| | 2020 | 2019 | 2018 |
|-----------------|-------------------|------------|------------|
| Office supplies | ₱1,592,790 | ₱965,127 | ₱1,349,194 |
| Custodian fee | 901,919 | 80,933 | 682,748 |
| Miscellaneous | 72,928 | 57,086 | 97,249 |
| | ₱2,567,637 | ₱1,103,146 | ₱2,129,191 |

Miscellaneous expenses include bank charges, notarial fee, training and seminar, periodicals and magazines, transportation and travel, other insurance and other expenses.

13. Income Taxes

Provision for income tax of the Fund pertains to 20.00% final taxes paid on interest income from cash and cash equivalents.

Current tax regulations provide that the RCIT rate shall be 30.00% and that interest allowed as a deductible expense is reduced by 33.00% of interest income subjected to final tax.

An Optional Standard Deduction (OSD) equivalent to 40.00% of gross income may be claimed as an alternative deduction in computing for the RCIT.

Current tax regulations also provide for a MCIT of 2.00% on modified gross income and allow a NOLCO. The MCIT is imposed on the fourth taxable year from commencement of the Fund's business operations. The MCIT and NOLCO may be applied against the Fund's income tax liability and taxable income, respectively, over a three-year period from the year of inception.

For the periods ended December 31, 2020 and 2019, the Fund was not subjected to RCIT or MCIT since the Fund's sole source of income is interest income from short-term placements and cash in bank which are subjected to final tax.

On September 30, 2020, the Bureau of Internal Revenue (BIR) has issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of Republic Act No. 11494, otherwise known as "Bayanihan to Recover as One Act", which states that the NOLCO incurred for the taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, the Fund has available NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years immediately following the year of such loss. Details as follows:

| Year Incurred | Amount | Expired | Balance | Expiry Year |
|---------------|---------------------|---------------------|---------------------|-------------|
| 2017 | ₱235,812,115 | ₱235,812,115 | ₱— | 2020 |
| 2018 | 229,154,229 | — | 229,154,229 | 2021 |
| 2019 | 217,314,927 | — | 217,314,927 | 2022 |
| | ₱682,281,271 | ₱235,812,115 | ₱446,469,156 | |



As of December 31, 2020, the Fund has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to Bayanihan 2, as follows:

| Year Incurred | Amount | Expired | Balance | Expiry Year |
|---------------|--------------|---------|--------------|-------------|
| 2020 | ₱179,327,420 | ₱— | ₱179,327,420 | 2025 |

The Fund did not recognize deferred tax assets on the carry forward benefit of NOLCO amounting to ₱187.74 million and ₱204.68 million as of December 31, 2020 and 2019, respectively. The Fund believes that it will not be able to utilize its NOLCO before its expiration.

The reconciliation between the Fund's provision 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:

| | 2020 | 2019 | 2018 |
|--|----------------|---------------|----------------|
| Statutory income tax | (₱265,030,016) | ₱124,089,443 | (₱404,527,093) |
| Tax effects of: | | | |
| Non-taxable income/Non-deductible loss | 257,261,956 | (129,124,460) | 379,139,904 |
| Change in unrecognized deferred tax assets | 53,798,225 | 65,194,478 | 68,746,269 |
| Tax-exempt income | (44,082,924) | (52,612,271) | (42,845,659) |
| Nondeductible expenses | 3,284,015 | 4,123,626 | 6,398,313 |
| Tax-paid income | (1,743,752) | (3,890,272) | (2,303,911) |
| Effective income tax | ₱3,487,504 | ₱7,780,544 | ₱4,607,823 |

14. 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:

| | 2020 | 2019 | 2018 |
|---|----------------|--------------|------------------|
| Net income (loss) | (₱886,920,889) | ₱405,850,934 | (₱1,353,031,466) |
| Divided by weighted average number of common shares | 305,284,895 | 303,224,461 | 306,498,201 |
| | (₱2.9052) | ₱1.3385 | (₱4.4145) |

There were no potential dilutive common shares for the periods ended December 31, 2020, 2019 and 2018.



15. Segment Information

The Fund has one operating segment. The table below shows the analyses of the Fund's operating income (loss) per investment type:

| | 2020 | 2019 | 2018 |
|---------------------------|----------------|--------------|------------------|
| Equity securities | (P710,596,768) | P606,019,102 | (P1,120,980,817) |
| Cash and cash equivalents | 17,437,519 | 38,902,723 | 23,039,114 |
| | (P693,159,249) | P644,921,825 | (P1,097,941,703) |

As the Fund has one operating segment, the assets and liabilities as reported in the statements of financial position are also the segment assets and liabilities.

The Fund's asset producing revenue are all located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

No investment income (loss) was derived from a single customer that constitutes 10.00% or more of the Fund's investment income (loss) in 2020, 2019 and 2018.

16. 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 shall manage the resources and operations of the Fund in accordance to prescribed Fund policies and/or approval of the Board of directors. PEMI is also 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, 2020, 2019 and 2018 follow:

| 2020 | | | |
|--|---------------------|---------------------|--|
| | Amount/Volume | Outstanding Balance | Terms and Conditions |
| PEMI | | | |
| Management fee (Note 9) | ₱162,527,702 | ₱13,454,167 | Due the following month, non-interest bearing and unsecured. |
| Sales commission for remittance (Note 9) | 541,540 | 36,508 | Due the following month, non-interest bearing and unsecured. |
| Directors' fee | 1,511,111 | – | On demand, non-interest bearing and unsecured. |
| 2019 | | | |
| | Amount/Volume | Outstanding Balance | Terms and Conditions |
| PEMI | | | |
| Management fee (Note 9) | ₱199,714,724 | ₱14,185,844 | Due the following month, non-interest bearing and unsecured. |
| Sales commission for remittance (Note 9) | 746,367 | 43,479 | Due the following month, non-interest bearing and unsecured. |
| Directors' fee | 1,616,111 | – | On demand, non-interest bearing and unsecured. |
| 2018 | | | |
| | Amount/Volume | Outstanding Balance | Terms and Conditions |
| PEMI | | | |
| Management fee (Note 9) | ₱196,650,932 | ₱14,149,653 | Due the following month, non-interest bearing and unsecured. |
| Sales commission for remittance (Note 9) | 1,788,645 | 73,204 | Due the following month, non-interest bearing and unsecured. |
| Directors' fee | 1,380,930 | – | On demand, 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, 2020, 2019 and 2018:

| | 2020 | 2019 | 2018 |
|------------------------------|-------------------|------------|------------|
| Balance at beginning of year | ₱2,223,631 | ₱2,223,631 | ₱2,645,333 |
| Withdrawals | – | – | (421,702) |
| Balance at end of year | ₱2,223,631 | ₱2,223,631 | ₱2,223,631 |



17. Events after the Reporting Period

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30.00% to 25.00% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.00 million and with total assets not exceeding ₱100.00 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20.00%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Effective April 11, 2021, final income tax rate on interest income from a depository bank under the expanded foreign currency deposit system is reduced from 7.50% to 15.00%.

The CREATE Act does not have an impact on the Fund since it has nil RCIT and MCIT for the year ended December 31, 2020.

18. COVID-19 Pandemic

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. The ECQ was subsequently extended until May 15, 2020. Subsequent to May 15, 2020, a modified enhanced community quarantine (MECQ) was imposed in NCR and other areas until May 31, 2020. On June 1, Metro Manila and selected provinces were downgraded to GCQ, while the rest of the country was placed under modified GCQ. On August 4, Metro Manila, and the provinces of Laguna, Cavite, Rizal, and Bulacan reverted back to modified ECQ amid the rising number of COVID-19 positive cases.

The MECQ lasted until August 18. On August 17, on the recommendation of IATF-EID, the President announced that Metro Manila and its neighboring provinces of Bulacan, Cavite and Laguna will be downgraded to GCQ starting August 19. On September 16, the President issued Proclamation No. 1021 (s.2020) extending the period of the State of Calamity throughout the Philippines until September 21, 2021.

Vantage Equities, Inc., the parent company of the Fund, is in close coordination with its subsidiaries to monitor their business operations under the new environment. Meantime, the Group has and will continue to abide by government-mandated policies and guidelines on the pandemic. Work-from-



home arrangements are at the maximum possible. Physical travel and contact are kept to the barest minimum. Front line employees have been given protective equipment and continuous disinfection of client servicing areas has been implemented. These will remain in place until health risks subside.

19. 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 for 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 ₱10.95 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 ₱1.83 billion.

Taxes and Licenses

In 2020, the Fund reported and/or paid the following taxes and licenses:

| | |
|-----------------------|--------------------|
| Sales tax | ₱10,946,717 |
| Municipal permits | 439,178 |
| Documentary stamp tax | 249,699 |
| License fee | 7,575 |
| Annual registration | 500 |
| | <u>₱11,643,669</u> |

Withholding Taxes

As of December 31, 2020, total remittances and balance of expanded withholding taxes amounted to ₱19,311,381 and ₱4,122,391, respectively

Tax Assessments and Cases

In 2020, 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).




INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Philequity Fund, Inc. (an open-end mutual fund company) (the Fund) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated April 8, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Fund's management. These schedules are presented for the purpose of complying with Revised Securities Regulation Code Rule No. 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Juan Carlo B. Maminta
Partner
CPA Certificate No. 115260
Accreditation No. 115260-SEC (Group A)
Valid to cover audit of 2020 to 2024
financial statements of SEC covered institutions
Tax Identification No. 210-320-399
BIR Accreditation No. 08-001998-132-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534323, January 4, 2021, Makati City

April 8, 2021



PHILEQUITY FUND, INC.
INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2020

Schedules Required under Securities Regulation Code Rule 68

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PHILEQUITY FUND, INC.
SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2020

| | | |
|--|---------------|-----------------------|
| Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning | | ₱2,017,872,630 |
| Less: Reduction in retained earnings due to redemption of capital stock | | (105,081,242) |
| Less: Net loss during the year | | |
| Net income (Loss) during the period closed to retained earnings | (886,920,889) | |
| Fair value adjustment (mark-to-market loss) | 431,926,801 | (454,994,088) |
| Total Retained Earnings, end available for dividend distribution | | ₱1,457,797,300 |

Philequity Fund, Inc.
Schedule A – Financial Assets
December 31, 2020

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds or notes | Amount shown on the balance sheet | Valued based on market quotation at balance sheet date | Income received and accrued |
|---|---|--|---|------------------------------------|
| Ayala Corporation | 925,070 | ₱765,032,890 | ₱765,032,890 | ₱6,587,252 |
| AC Energy Philippines, Inc. | 13,714,800 | 123,433,200 | 123,433,200 | 140,000 |
| Aboitiz Equity Ventures | 7,415,690 | 350,391,353 | 350,391,353 | 8,742,630 |
| ALLIANCE GLOBAL INC | 14,697,100 | 155,789,260 | 155,789,260 | 734,855 |
| Ayala Land, Inc. | 19,519,670 | 798,354,503 | 798,354,503 | 5,963,582 |
| Ayala Land, Inc. - Preferred shares | 13,475,080 | 1,347,508 | 1,347,508 | 63,978 |
| Aboitiz Power Corp. | 2,441,630 | 64,825,277 | 64,825,277 | 3,248,693 |
| Altus Property Venture Inc. | 43,057 | 533,907 | 533,907 | - |
| BDO Unibank, Inc. | 4,479,666 | 478,428,329 | 478,428,329 | 6,267,199 |
| BLOOMBERRY RESORTS CORPORATION | 1,889,000 | 15,319,790 | 15,319,790 | 6,475 |
| Bank of the Phil. Island | 5,957,307 | 484,626,924 | 484,626,924 | 11,410,087 |
| Cebu Air, Inc. | 273,590 | 13,816,295 | 13,816,295 | - |
| DMCI Holdings, Inc. | 4,822,000 | 27,292,520 | 27,292,520 | 1,831,200 |
| D&L Industries Inc | 6,341,050 | 48,826,085 | 48,826,085 | 708,823 |
| Engineering Equip. Inc. | 981,000 | 7,445,790 | 7,445,790 | - |
| Emperador Inc. | 575,000 | 5,807,500 | 5,807,500 | 118,250 |
| Eastwest Bank | 349,200 | 3,771,360 | 3,771,360 | - |
| San Miguel Food and Beverage, Inc. | 25,780 | 1,727,260 | 1,727,260 | 41,248 |
| First Gen Corporation | 755,100 | 21,256,065 | 21,256,065 | 1,704,599 |
| Filinvest Land Inc. | 32,624,350 | 36,539,272 | 36,539,272 | 2,114,058 |
| Globe Telecom, Inc. | 78,754 | 159,870,620 | 159,870,620 | 9,680,584 |

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds or notes | Amount shown on the balance sheet | Valued based on market quotation at balance sheet date | Income received and accrued |
|--|--|-----------------------------------|--|-----------------------------|
| GT CAPITAL HOLDINGS INC. | 203,515 | ₱119,056,275 | ₱119,056,275 | ₱1,268,190 |
| All Home Inc. | 1,192,000 | 10,906,800 | 10,906,800 | 16,688 |
| Intl. Cont. Terminal Serv. Inc. | 3,306,637 | 408,369,670 | 408,369,670 | 10,004,895 |
| Jollibee Foods Corp. | 1,566,455 | 305,772,016 | 305,772,016 | 1,473,707 |
| J.G. Summit Holdings Corp. | 7,699,107 | 551,256,060 | 551,256,060 | 2,391,367 |
| LT Group, Inc. | 3,335,000 | 43,688,500 | 43,688,500 | 2,701,350 |
| Metro Bank & Trust Co. | 7,681,112 | 376,758,544 | 376,758,544 | 6,862,712 |
| Megaworld Prop. & Holdings, Inc. | 42,698,892 | 174,211,479 | 174,211,479 | 1,595,924 |
| MERALCO | 358,992 | 104,825,664 | 104,825,664 | 5,833,707 |
| METRO PACIFIC INVESTMENTS CORP. | 70,462,650 | 301,580,142 | 301,580,142 | 5,503,975 |
| Manila Water Co., Inc. | 1,027,400 | 16,417,852 | 16,417,852 | - |
| NICKEL ASIA CORP. | 13,883,300 | 77,746,480 | 77,746,480 | 702,990 |
| Petron Corporation | 893,150 | 3,563,669 | 3,563,669 | 89,315 |
| PUREGOLD PRICE CLUB, INC. | 2,179,270 | 89,350,070 | 89,350,070 | - |
| Premium Leisure Corp | 3,494,000 | 1,554,830 | 1,554,830 | 175,539 |
| Philippine National Bank | 401,307 | 11,778,360 | 11,778,360 | - |
| Robinson Land Corp. | 5,095,337 | 108,021,144 | 108,021,144 | 2,743,845 |
| ROBINSONS RETAIL HOLDINGS INC | 441,750 | 28,713,750 | 28,713,750 | 86,510 |
| Semirara Mining and Power Corporation | - | - | - | 1,466,175 |
| Security Bank Corp. | 1,540,210 | 206,388,140 | 206,388,140 | 3,673,890 |
| SM Investment Corp. | 1,338,743 | 1,404,341,407 | 1,404,341,407 | 5,734,708 |
| San Miguel Corporation | 1,066,840 | 136,662,204 | 136,662,204 | 1,498,826 |
| SM Prime Holdings, Inc. | 25,977,457 | 1,000,132,095 | 1,000,132,095 | 4,405,397 |

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds or notes | Amount shown on the balance sheet | Valued based on market quotation at balance sheet date | Income received and accrued |
|---|---|--|---|------------------------------------|
| SSI Group, Inc. | 3,604,000 | ₱5,369,960 | ₱5,369,960 | ₱- |
| Phil. Long Dis Tel Co. | 307,942 | 412,642,280 | 412,642,280 | 19,241,814 |
| Universal Robina | 3,425,374 | 522,369,535 | 522,369,535 | 9,791,903 |
| Vista Land & Lifescapes, Inc | 9,977,400 | 46,694,232 | 46,694,232 | 280,000 |
| Wilcon Depot, Inc. | 200,800 | 3,393,520 | 3,393,520 | 36,144 |
| Total | 344,742,534 | 10,036,000,385 | 10,036,000,385 | 146,943,084 |

Philequity Fund, Inc.
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and
Principal Stockholders (Other than Related Parties)
December 31, 2020

| Name and Designation of debtor | Balance at beginning of period | Additions | Amounts Collected | Amounts Written- off | Current | Non- Current | Balance at end of period |
|---------------------------------------|---|------------------|------------------------------|-------------------------------------|----------------|-------------------------|-------------------------------------|
|---------------------------------------|---|------------------|------------------------------|-------------------------------------|----------------|-------------------------|-------------------------------------|

None to Report.

Receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders are subject to usual terms in the normal course of business.

Philequity Fund, Inc.
Schedule C – Amounts Receivable from Related Parties which are eliminated
during the consolidation of financial statements
December 31, 2020

| Name of Debtor | Balance at beginning of period | Additions | Amounts Collected (i) | Amounts Written-off (ii) | Current | Non-Current | Balance at end of period |
|-----------------------|---------------------------------------|------------------|----------------------------------|-------------------------------------|----------------|--------------------|---------------------------------|
|-----------------------|---------------------------------------|------------------|----------------------------------|-------------------------------------|----------------|--------------------|---------------------------------|

None to Report

-
- (i) If collected was other than in cash, explain.
(ii) Give reasons to write-off.

Philequity Fund, Inc.
Schedule D - Long-Term Debt
December 31, 2020

| Title of issue and type of obligation ⁽ⁱ⁾ | Amount authorized by indenture | Amount shown under caption “Current portion of long-term debt” in related balance sheet ⁽ⁱⁱ⁾ | Amount shown under caption “Long-Term Debt” in related balance sheet ⁽ⁱⁱⁱ⁾ | Interest Rate % | Maturity Date |
|---|---|--|--|--------------------------------|--------------------------|
|---|---|--|--|--------------------------------|--------------------------|

None to Report

⁽ⁱ⁾ Include in this column each type of obligation authorized.

⁽ⁱⁱ⁾ This column is to be totalled to correspond to the related balance sheet caption.

⁽ⁱⁱⁱ⁾ Include in this column details as to interest rates, amounts or numbers of periodic instalments, and maturity dates.

Philequity Fund, Inc.
Schedule E - Indebtedness to Related Parties
(Long-Term Loans from Related Companies)
December 31, 2020

| Name of Related Parties ⁽ⁱ⁾ | Balance at beginning of period | Balance at end of period ⁽ⁱⁱ⁾ |
|--|--------------------------------|--|
|--|--------------------------------|--|

None to Report

⁽ⁱ⁾ The related parties named shall be grouped as in Schedule D. The information called for shall be stated for any persons whose investments shown separately in such related schedule.

⁽ⁱⁱ⁾ For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that Is in excess of 10 percent of the related balance at either the beginning or end of the period.

Philequity Fund, Inc.
Schedule F - Guarantees of Securities of Other Issuers
December 31, 2020

| Name of issuing entity of securities guaranteed by the company for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount of guaranteed and outstanding ⁽ⁱ⁾ | Amount owned by person of which statement is filed | Nature of guarantee ⁽ⁱⁱ⁾ |
|---|--|--|---|--|
|---|--|--|---|--|

None to Report

-
- (i) Indicate in a note any significant changes since the date of the last balance sheet file. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.
- (ii) There must be a brief statement of the nature of the guarantee, such as “Guarantee of principal and interest”, “Guarantee of Interest”, or “Guarantee of Dividends”. If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

Philequity Fund, Inc.
Schedule G - Capital Stock
December 31, 2020

| Title of Issue ⁽ⁱ⁾ | Number of shares authorized | Number of shares issued and outstanding as shown under the related balance sheet caption | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by related parties ⁽ⁱⁱ⁾ | Directors, officers and employees | Others ⁽ⁱⁱⁱ⁾ |
|--------------------------------------|------------------------------------|---|---|---|--|--|
| Common | 1,000,000,000 | 306,494,903 | None to Report | 16,778,330 shares | 2,223,631 | There were 24,970,498 subscriptions and 17,542,710 redemptions of redeemable common shares during the year |

⁽ⁱ⁾ Include in this column each type of issue authorized

⁽ⁱⁱ⁾ Related parties referred to include persons for which separate financial statements are filed and those included in the consolidated financial statements, other than the issuer of the particular security.

⁽ⁱⁱⁱ⁾ Indicate in a note any significant changes since the date of the last balance sheet filed.

PHILEQUITY FUND, INC.
SECTION II
FINANCIAL SOUNDNESS INDICATORS
As of December 31, 2020

| | | December 31, 2020 | December 31, 2019 |
|------------------------------|--|------------------------------|------------------------------|
| Current Ratio | Current Asset/Current Liabilities | 11999.42% | 23178.22% |
| Acid Test Ratio | (Cash Eq + Marketable Securities + Receivables)/ Current Liabilities | 11999.42% | 23178.22% |
| Solvency Ratio | Net Income/Total Liabilities | -990.34% | 826.41% |
| Debt-to-Equity Ratio | Total Liabilities/Total Equity | 0.84% | 0.43% |
| Asset-to-Equity Ratio | Total Assets/Total Equity | 100.84% | 100.43% |
| Interest Rate Coverage Ratio | EBIT/Interest Expense | N/A | N/A |
| Return on Assets | Net Income/Average Total Asset | -8.02% | 3.58% |
| Return on Equity | Net Income/Average Total Equity | -8.07% | 3.60% |
| Net Profit Margin | Gross Profit/Net Income | 78% | 159% |

PHILEQUITY FUND, INC.
SECTION III
OTHER RATIOS REQUIRED FOR MUTUAL FUNDS
As of December 31, 2019

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

| | | As of December 31, 2020 | As of December 31, 2019 |
|--------|-------------------------------------|------------------------------------|------------------------------------|
| | <i>INVESTMENT IN SHARES:</i> | | |
| AC | Ayala Corporation | 7.18% | 5.78% |
| ACEN | AC Energy Philippines, Inc. | 1.16% | 0.03% |
| AEV | Aboitiz Equity Ventures | 3.29% | 3.05% |
| AGI | ALLIANCE GLOBAL INC | 1.46% | 1.28% |
| ALI | Ayala Land, Inc. | 7.49% | 9.18% |
| ALI-PS | Ayala Land, Inc. - Preferred shares | 0.01% | 0.01% |
| AP | Aboitiz Power Corp. | 0.61% | 0.75% |
| APVI | Altus Property Venture Inc. | 0.01% | 0.00% |
| BDO | BDO Unibank, Inc. | 4.49% | 8.10% |
| BLOOM | BLOOMBERRY RESORTS CORPORATION | 0.14% | 0.13% |
| BPI | Bank of the Phil. Island | 4.55% | 4.98% |
| CEB | Cebu Air, Inc. | 0.13% | 0.21% |
| DMC | DMCI Holdings, Inc. | 0.26% | 0.11% |
| DNL | D&L Industries Inc | 0.46% | 0.36% |
| EEI | Engineering Equip. Inc. | 0.07% | 0.08% |
| EMP | Emperador Inc. | 0.05% | 0.00% |
| EW | Eastwest Bank | 0.04% | 0.00% |
| FB | San Miguel Food and Beverage, Inc. | 0.02% | 0.08% |
| FGEN | First Gen Corporation | 0.20% | 0.02% |
| FLI | Filinvest Land Inc. | 0.34% | 0.43% |
| GLO | Globe Telecom, Inc. | 1.50% | 1.88% |
| GTCAP | GT CAPITAL HOLDINGS INC. | 1.12% | 1.60% |
| HOME | All Home Inc. | 0.10% | 0.00% |
| ICT | Intl. Cont. Terminal Serv. Inc. | 3.83% | 3.40% |
| JFC | Jollibee Foods Corp. | 2.87% | 1.58% |
| JGS | J.G. Summit Holdings Corp. | 5.17% | 4.42% |
| LTG | LT Group, Inc. | 0.41% | 0.39% |
| MBT | Metro Bank & Trust Co. | 3.54% | 4.19% |
| MEG | Megaworld Prop. & Holdings, Inc. | 1.63% | 1.39% |

| | | | |
|-------|---------------------------------|--------|--------|
| MER | MERALCO | 0.98% | 1.17% |
| MPI | METRO PACIFIC INVESTMENTS CORP. | 2.83% | 1.32% |
| MWC | Manila Water Co., Inc. | 0.15% | 0.04% |
| NIKL | NICKEL ASIA CORP. | 0.73% | 0.20% |
| PCOR | Petron Corporation | 0.03% | 0.03% |
| PGOLD | PUREGOLD PRICE CLUB, INC. | 0.84% | 0.86% |
| PLC | Premium Leisure Corp | 0.01% | 0.02% |
| PNB | Philippine National Bank | 0.11% | 0.33% |
| RLC | Robinson Land Corp. | 1.01% | 0.59% |
| RRHI | ROBINSONS RETAIL HOLDINGS INC | 0.27% | 0.06% |
| SECB | Security Bank Corp. | 1.94% | 1.65% |
| SM | SM Investment Corp. | 13.18% | 12.77% |
| SMC | San Miguel Corporation | 1.28% | 1.61% |
| SMPH | SM Prime Holdings, Inc. | 9.38% | 10.27% |
| SSI | SSI Group, Inc. | 0.05% | 0.16% |
| TEL | Phil. Long Dis Tel Co. | 3.87% | 1.84% |
| URC | Universal Robina | 4.90% | 3.88% |
| VLL | Vista Land & Lifescapes, Inc | 0.44% | 0.41% |
| WLCON | Wilcon Depot, Inc. | 0.03% | 0.03% |

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

| | | As of December 31, 2020 | As of December 31, 2019 |
|---|--------------------------------|----------------------------|----------------------------|
| Total Investment of the Fund to the Outstanding Shares of an Investee Company: | | | |
| | | | |
| AC | Ayala Corporation | 0.15% | 0.13% |
| ACEN | AC Energy Philippines, Inc. | 0.10% | 0.02% |
| AEV | Aboitiz Equity Ventures | 0.13% | 0.12% |
| AGI | ALLIANCE GLOBAL INC | 0.15% | 0.13% |
| ALI | Ayala Land, Inc. | 0.13% | 0.16% |
| ALI-PS | Ayala Land, Inc. | 0.10% | 0.10% |
| AP | Aboitiz Power Corp. | 0.03% | 0.03% |
| APVI | Altus Property Venture Inc. | 0.04% | 0.00% |
| BDO | BDO Unibank, Inc. | 0.10% | 0.13% |
| BLOOM | BLOOMBERRY RESORTS CORPORATION | 0.02% | 0.01% |
| BPI | Bank of the Phil. Island | 0.13% | 0.14% |
| CEB | Cebu Air, Inc. | 0.05% | 0.04% |
| DMC | DMCI Holdings, Inc. | 0.04% | 0.01% |
| DNL | D&L Industries Inc | 0.09% | 0.06% |
| EAGLE | Eagle Cement Corporation | | 6.00% |
| EEI | Engineering Equip. Inc. | 0.09% | 0.09% |

| | | | |
|--|---------------------------------------|------------------------------------|------------------------------------|
| EMP | Emperador Inc. | 0.00% | 0.00% |
| EW | East West Banking Corp | 0.02% | 0.00% |
| FB | San Miguel Food and Beverage, Inc. | 0.00% | 0.00% |
| FGEN | First Gen Corporation | 0.02% | 0.16% |
| FLI | Filinvest Land Inc. | 0.13% | 0.13% |
| GLO | Globe Telecom, Inc. | 0.06% | 0.08% |
| GTCAP | GT CAPITAL HOLDINGS INC. | 0.09% | 0.10% |
| HOME | All Home Inc. | 0.03% | 0.00% |
| ICT | Intl. Cont. Terminal Serv. Inc. | 0.16% | 0.15% |
| JFC | Jollibee Foods Corp. | 0.14% | 0.08% |
| JGS | J.G. Summit Holdings Corp. | 0.10% | 0.09% |
| LTG | LT Group, Inc. | 0.03% | 0.03% |
| MAC | MacroAsia Corporation | | 0.39% |
| MBT | Metro Bank & Trust Co. | 0.17% | 0.16% |
| MEG | Megaworld Prop. & Holdings, Inc. | 0.13% | 0.12% |
| MER | MERALCO | 0.03% | 0.04% |
| MPI | METRO PACIFIC INVESTMENTS CORP. | 0.23% | 0.14% |
| MWC | Manila Water Co., Inc. | 0.05% | - |
| NIKL | Nickel Asia Corporation | 0.10% | 0.05% |
| PCOR | Petron Corporation | 0.01% | 0.01% |
| PGOLD | PUREGOLD PRICE CLUB, INC. | 0.08% | 0.09% |
| PIP | Pepsi-Cola Products Philippines, Inc. | | 0.01% |
| PLC | Premium Leisure Corp | 0.01% | 0.01% |
| PNB | Philippine National Bank | 0.03% | 0.07% |
| RLC | Robinson Land Corp. | 0.10% | 0.05% |
| RRHI | Robinsons Retail Holdings, Inc. | 0.03% | 0.01% |
| SCC | Semirara Mining Corp. | 0.00% | 0.03% |
| SECB | Security Bank Corp. | 0.20% | 0.13% |
| SM | SM Investment Corp. | 0.11% | 0.12% |
| SMC | San Miguel Corporation | 0.04% | 0.05% |
| SMPH | SM Prime Holdings, Inc. | 0.09% | 0.10% |
| SSI | SSI Group, Inc. | 0.11% | 0.20% |
| TEL | Phil. Long Dis Tel Co. | 0.14% | 0.10% |
| URC | Universal Robina | 0.16% | 0.14% |
| VLL | Vista Land & Lifescapes, Inc | 0.08% | 0.05% |
| WLCN | Wilcon Depot, Inc. | 0.00% | 0.00% |
| | | | |
| | | As of December 31, 2020 | As of December 31, 2019 |
| Total Investment in Liquid or Semi-Liquid Assets to Total Assets | | 5.84% | 7.26% |
| Total Operating Expenses to Total Net Worth | | 1.61% | 1.98% |
| Total Assets to Total Borrowings | | 11999.42% | 23178.22% |

ANNEX D

COVER SHEET

SEC Registration Number

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| A | S | 0 | 9 | 4 | - | 0 | 0 | 1 | 6 | 5 | 6 |
|---|---|---|---|---|---|---|---|---|---|---|---|

Company Name

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|--|---|---|---|---|---|---|---|---|--|---|---|---|---|
| P | H | I | L | E | Q | U | I | T | Y | | 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 | . | | 5 | |
| t | h | . | | A | v | e | . | | B | o | n | i | f | a | c | i | o | | G | l | o | b | A | I | | 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 | - | Q |
|---|---|---|---|

Department requiring the report

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

Secondary License Type, If Applicable

| | | | |
|---|---|--|--|
| N | A | | |
|---|---|--|--|

COMPANY INFORMATION

Company's Email Address

| |
|--|
| |
|--|

Company's Telephone Number/s

| |
|-----------|
| 8250-8700 |
|-----------|

Mobile Number

| |
|--|
| |
|--|

No. of Stockholders

| |
|--------|
| 37,914 |
|--------|

Annual Meeting Month/Day

| |
|-------|
| 08/16 |
|-------|

Fiscal Year Month/Day

| |
|-------|
| 12/31 |
|-------|

CONTACT PERSON INFORMATION

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

Name of Contact Person

| |
|----------------------|
| Ma. Angelica Cabanit |
|----------------------|

Email Address

| |
|---------------------------------|
| angelica.cabanit@philequity.net |
|---------------------------------|

Telephone Number/s

| |
|-----------|
| 8250-8713 |
|-----------|

Mobile Number

| |
|---------------|
| 0917-590-7176 |
|---------------|

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.

**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, 2021**
2. SEC Identification Number **AS094-001-656**
3. BIR Tax Identification No. **003-868-545-000**
4. Exact name of registrant as specified in its charter.
PHILEQUITY FUND, INC.
5. Province, Country or other jurisdiction of Incorporation or Organization:
Philippines
6.

| |
|--|
| |
|--|

 (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**

7. Registrant's telephone number, including area code: **(632) 8250-8700**
8. Former name, former address, and former fiscal year, if changed since last report **N/A**
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, 2021 |
|--------------------------------------|---|
| Common Stock, P1.00 par value | 304,157,690 |
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 [] No [X]
 - b) Has been subject to such filing requirements for the past 90 days.
Yes [] No [X]

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:

| Account | Formula | June 30, 2021 | December 31, 2020 |
|-----------------------|---|---------------|-------------------|
| Current Ratio | Current Asset/Current Liabilities | 12459.30% | 11999.42% |
| Acid Test Ratio | (Cash Eq + Marketable Securities + Receivables)/Current Liabilities | 12459.30% | 11999.42% |
| Solvency Ratio | Net Income/Net Liabilities | -268.31% | -990.34% |
| Debt-to-Equity Ratio | Total Liabilities/Total Equity | 0.81% | 0.84% |
| Asset-to-Equity Ratio | Total Asset/Total Equity | 100.81% | 100.84% |
| Return on Assets | Net Income/Average Total Assets | -2.12% | -8.02% |
| Return on Equity | Net Income/Average Total Equity | -2.14% | -8.07% |
| Net Profit Margin | Gross Profit/Net Income | 54.97% | 78.15% |

Financial Highlights

| | Unaudited June 30, 2021 | Audited December 31, 2020 | Increase/ (Decrease) | Percentage |
|----------------------|----------------------------|---------------------------------|-------------------------|------------|
| Balance Sheet | | | | |
| Total Assets | 10,434,357,719 | 10,746,334,975 | (311,977,256) | -2.90% |
| Total Liabilities | 83,747,572 | 89,557,150 | (5,809,578) | -6.49% |
| Total Equity | 10,350,610,147 | 10,656,777,825 | (306,167,678) | -2.87% |

| | For the Period Ended June 30, 2021 | For the Period Ended June 30, 2020 | Increase/ (Decrease) | Percentage |
|-------------------------|---------------------------------------|---------------------------------------|-------------------------|------------|
| Income Statement | | | | |
| Investment Loss | (123,544,915) | (2,139,454,476) | (2,015,909,561) | -94.23% |
| Expenses | 101,190,847 | 98,901,988 | 2,288,859 | 2.31% |
| Net Loss | (224,735,762) | (2,238,356,464) | (2,013,620,702) | -89.96% |

Cash Flow

Cash and cash equivalents increased by PHP839M as of the period June 30, 2021. Additional information may be obtained from the statements of cash flows in later page.

Changes in Net Assets

Below is a summary of fund's activity for the 2nd quarter ended June 30, 2021

| Total Amount from Sales and Redemption of Shares | |
|---|--------------|
| Total amount received for the semester | 340,378,469 |
| Total amount of redemptions for the semester | 421,671,083 |
| Shares Issued and Outstanding | |
| Beginning Balance - December 31, 2020 | 306,494,903 |
| Shares sold during the semester | 10,191,470 |
| Shares redeemed during the semester | (12,528,683) |
| Ending Balance - June 30, 2021 | 304,157,690 |

Business Analysis:

As of June 2021, the mutual fund industry grew by 6% from the previous quarter to P391 billion in net assets. Quarter-on-quarter, feeder funds grew the most by 50% followed by stock funds which grew by 9% and money market funds which grew by 6%. Stock funds brought in P1.8 billion in net subscription, P1.1 billion or 60% of which were subscriptions to index funds. The Philequity Fund continued to see net redemptions, P76 million for this quarter. The fund however increased its net assets by 6% to P10.4 billion quarter-on-quarter as the Philippine Stock Exchange Index soared 7% for the same period. The PSEi rose on the back of lower COVID19 positive cases, LGUs gaining momentum in mass inoculations, and prospects of vaccines arriving in the millions in the coming months. The fund however remains cautious as there is growing concern of the highly transmissible Delta variant which is currently wreaking havoc globally and forcing some countries such as Indonesia and Australia to reinforce lockdown measures. While the country has so far not detected the variant in our shores, strong border control, swift contact tracing and strict quarantine measures should be enforced to maintain the PSEi's ascent. The fund expects continued volatility moving forward as any news related to COVID19 can have a significant impact on market movement. The fund will continue to closely monitor the government's response to the pandemic and how it will affect corporate earnings, GDP and inflation

Top Five (5) Indicators

Philequity 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 PEFI, 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 PEFI. A negative forecast on the other hand, is bearish for stocks and PEFI.
- (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 PEFI. Similarly, a low market P/E Ratio is a signal that it is worth increasing PEFI'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 PEFI.

| 2021 | | | 2020 | |
|--|-------------|-------------------------|-------------|-----------------------------|
| PHISIX | End of June | 6,901.91 | End of June | 6,207.72 |
| GNP growth | For 2Q | 6.6% | For 2Q | -17.6% |
| GDP growth | For 2Q | 11.8% | For 2Q | -16.5% |
| P/E Ratio | End of June | 23.98 | End of June | 20.33 |
| Foreign Buying and Selling (Net flow in billion PHP) | For 2Q | Net foreign SELL 21.98B | For 2Q | Net foreign SELL PhP 34.32B |

Causes for any material changes (+/- 5% or more) in the financial statements

Income Statement items – six month period ended June 30, 2021 versus June 30, 2020:

89.55% decrease in net loss on changes in fair value of financial assets through FVPL
Due to improvement on the market performance of equity securities

98.61% decrease in dividend income
Resulting to lower dividends per share of some of the securities.

98.61 % decrease in interest income
Due to decrease in short term investments and lower interest rates

6.25% increase in management fee
Increase/decrease roughly in proportion to the change in the size of the assets under management. The size of the assets under management will vary according to the increase/decrease in the value of the Fund's investments as well as sales or redemptions of the Fund's shares.

9.79%% increase in Brokers' commission expense
Due to the increase in investment in equity security.

6.15% increase in taxes and licenses

Corresponds to increase sales tax relative to equity selling activities and DST related to subscriptions.

297.96% increase in transaction cost

Due to the increase in investment in equity security.

52.94% decrease in director's fee

Due to lower per diem which is driven on the number of BOD meetings held during the period

40.57% decrease in professional fee

This is due to termination of contract with legal firm.

94.44% decrease in other expenses

This is due to lower incurred bank charges.

Balance Sheet Items – June 30, 2021 versus December 31, 2020

8.69% decrease in cash and cash equivalents

Due to lower bank deposits and outstanding placements as of end of the quarter.

54.44% decrease in loans and receivables

Significantly due to decrease in receivable from proceeds on sale of equity securities to be received the following month.

6.49% increase in accrued expenses and other liabilities

The increase is mainly attributed to the decrease in amount payable to brokers, which consist of liabilities arising from the acquisition of investments securities.

PART II – OTHER INFORMATION

**PHILEQUITY FUND, INC.
OTHER RATIOS REQUIRED FOR MUTUAL FUNDS**

| | | June 30, 2021 | June 30, 2020 |
|---|--|---------------|---------------|
| Percentage of Investment in a single enterprise to Net Asset Value: | | | |
| AC | Ayala Corporation | 7.33% | 7.74% |
| ACEN | AC Energy Philippines, Inc. | 0.37% | 0.00% |
| AEV | Aboitiz Equity Ventures | 3.03% | 3.17% |
| AGI | ALLIANCE GLOBAL INC | 1.01% | 0.76% |
| ALI | Ayala Land, Inc. | 8.01% | 7.11% |
| ALI-PS | Ayala Land, Inc. - Preferred shares | 0.01% | 0.01% |
| AP | Aboitiz Power Corp. | 0.58% | 0.66% |
| APVI | Altus Property Ventures, Inc. | 0.01% | 0.02% |
| BDO | BDO Unibank, Inc. | 6.12% | 5.56% |
| BLOOM | BLOOMBERRY RESORTS CORPORATION | 0.12% | 0.00% |
| BPI | Bank of the Phil. Island | 4.83% | 5.07% |
| CEB | Cebu Air, Inc. | 0.03% | 0.11% |
| CNVRG | Converge Information and Communications Technolo | 1.35% | 0.00% |
| DMC | DMCI Holdings, Inc. | 0.19% | 0.17% |
| DNL | D&L Industries Inc | 0.30% | 0.21% |
| EAGLE | Eagle Cement Corporation | 0.00% | 0.00% |
| EEL | Engineering Equip. Inc. | 0.07% | 0.05% |
| EMP | Emperador Inc. | 0.07% | 0.00% |
| EW | East West Banking Corp | 0.04% | 0.03% |
| FB | San Miguel Food and Beverage, Inc. | 0.02% | 0.02% |
| FGEN | First Gen Corporation | 0.30% | 0.01% |
| FLI | Filinvest Land Inc. | 0.35% | 0.35% |
| GLO | Globe Telecom, Inc. | 1.40% | 1.75% |
| GTAP | GT CAPITAL HOLDINGS INC. | 0.84% | 1.03% |
| HOME | AllHome Corp. | 0.09% | 0.00% |
| ICT | Intl. Cont. Terminal Serv. Inc. | 5.93% | 3.22% |
| JFC | Jollibee Foods Corp. | 3.66% | 0.86% |
| JGS | J.G. Summit Holdings Corp. | 4.69% | 4.54% |
| LTG | LT Group, Inc. | 0.42% | 0.29% |
| MAC | MacroAsia Corporation | 0.00% | 0.04% |
| MBT | Metro Bank & Trust Co. | 3.40% | 2.25% |
| MEG | Megaworld Prop. & Holdings, Inc. | 1.30% | 0.95% |
| MER | MERALCO | 1.09% | 1.03% |
| MPI | METRO PACIFIC INVESTMENTS CORP. | 1.68% | 2.16% |
| MONDE | Monde Nissin Corporation | 0.29% | 0.00% |
| MWC | Manila Water Co Inc | 0.62% | 0.06% |
| NIKL | NICKEL ASIA CORP. | 0.74% | 0.03% |
| PCOR | Petron Corporation | 0.02% | 0.03% |
| PGOLD | PUREGOLD PRICE CLUB, INC. | 0.84% | 0.37% |
| PIP | Pepsi-Cola Products Philippines, Inc. | 0.00% | 0.00% |
| PLC | Premium Leisure Corp | 0.01% | 0.01% |
| PNB | Philippine National Bank | 0.09% | 0.09% |
| RLC | Robinson Land Corp. | 0.90% | 1.00% |
| RRHI | ROBINSONS RETAIL HOLDINGS INC | 0.23% | 0.06% |
| SCC | Semirara Mining Corp. | 0.00% | 0.16% |
| SECB | Security Bank Corp. | 1.74% | 1.30% |
| SM | SM Investment Corp. | 13.97% | 13.60% |
| SMC | San Miguel Corporation | 1.21% | 1.15% |
| SMPH | SM Prime Holdings, Inc. | 9.02% | 8.09% |
| SSI | SSI Group, Inc. | 0.04% | 0.04% |
| TEL | Phil. Long Dis Tel Co. | 3.01% | 3.59% |
| URC | Universal Robina | 3.05% | 4.43% |
| VLL | Vista Land & Lifescapes, Inc | 0.36% | 0.22% |
| WLCON | Wilcon Depot, Inc. | 0.04% | 0.03% |
| CEBCP | Cebu Air, Inc. Convertible Preferred Shares | 0.08% | 0.00% |

| | | June 30, 2021 | June 30, 2020 |
|---|--|------------------|------------------|
| Total Investment of the Fund to the Outstanding Shares of an Investee Company: | | | |
| AC | Ayala Corporation | 0.15% | 0.15% |
| ACEN | AC Energy Philippines, Inc. | 0.02% | 0.00% |
| AEV | Aboitiz Equity Ventures | 0.13% | 0.12% |
| AGI | ALLIANCE GLOBAL INC | 0.11% | 0.11% |
| ALI | Ayala Land, Inc. | 0.16% | 0.13% |
| ALI-PS | Ayala Land, Inc. | 0.10% | 0.10% |
| AP | Aboitiz Power Corp. | 0.03% | 0.03% |
| APVI | Altus Property Ventures, Inc. | 0.04% | 0.04% |
| BDO | BDO Unibank, Inc. | 0.13% | 0.12% |
| BLOOM | BLOOMBERRY RESORTS CORPORATION | 0.02% | 0.00% |
| BPI | Bank of the Phil. Island | 0.12% | 0.15% |
| CEB | Cebu Air, Inc. | 0.01% | 0.04% |
| CNVRG | Converge Information and Communications Technology | 0.08% | 0.00% |
| DMC | DMCI Holdings, Inc. | 0.02% | 0.03% |
| DNL | D&L Industries Inc | 0.05% | 0.05% |
| EAGLE | Eagle Cement Corporation | 0.00% | 0.00% |
| EEI | Engineering Equip. Inc. | 0.09% | 0.09% |
| EMP | Emperador Inc. | 0.00% | 0.00% |
| EW | East West Banking Corp | 0.02% | 0.02% |
| FB | San Miguel Food and Beverage, Inc. | 0.00% | 0.00% |
| FGEN | First Gen Corporation | 0.03% | 0.00% |
| FLI | Filinvest Land Inc. | 0.13% | 0.13% |
| GLO | Globe Telecom, Inc. | 0.06% | 0.06% |
| GTCAP | GT CAPITAL HOLDINGS INC. | 0.07% | 0.10% |
| HOME | AllHome Corp. | 0.03% | 0.00% |
| ICT | Intl. Cont. Terminal Serv. Inc. | 0.18% | 0.15% |
| JFC | Jollibee Foods Corp. | 0.16% | 0.05% |
| JGS | J.G. Summit Holdings Corp. | 0.10% | 0.09% |
| LTG | LT Group, Inc. | 0.03% | 0.03% |
| MBT | Metro Bank & Trust Co. | 0.16% | 0.13% |
| MEG | Megaworld Prop. & Holdings, Inc. | 0.13% | 0.09% |
| MER | MERALCO | 0.04% | 0.03% |
| MPI | METRO PACIFIC INVESTMENTS CORP. | 0.15% | 0.17% |
| MONDE | Monde Nissin Corporation | 0.01% | 0.00% |
| MWC | Manila Water Co., Inc. | 0.17% | 0.02% |
| NIKL | Nickel Asia Corporation | 0.10% | 0.01% |
| PCOR | Petron Corporation | 0.01% | 0.01% |
| PGOLD | PUREGOLD PRICE CLUB, INC. | 0.07% | 0.03% |
| PLC | Premium Leisure Corp | 0.01% | 0.01% |
| PNB | Philippine National Bank | 0.00% | 0.03% |
| RLC | Robinson Land Corp. | 0.10% | 0.10% |
| RRHI | Robinsons Retail Holdings, Inc. | 0.03% | 0.01% |
| SCC | Semirara Mining Corp. | 0.00% | 0.03% |
| SECB | Security Bank Corp. | 0.20% | 0.16% |
| SM | SM Investment Corp. | 0.12% | 0.11% |
| SMC | San Miguel Corporation | 0.04% | 0.04% |
| SMPH | SM Prime Holdings, Inc. | 0.09% | 0.08% |
| SSI | SSI Group, Inc. | 0.11% | 0.11% |
| TEL | Phil. Long Dis Tel Co. | 0.11% | 0.12% |
| URC | Universal Robina | 0.10% | 0.14% |
| VLL | Vista Land & Lifescapes, Inc | 0.08% | 0.04% |
| WLCON | Wilcon Depot, Inc. | 0.00% | 0.00% |
| CEBCP | Cebu Air, Inc. Convertible Preferred Shares | 3.18% | 0.00% |
| Total Investment in Liquid or Semi-Liquid Assets to Total Assets | | 99.64% | 97.13% |
| Percentage of Operating Expense to the Average daily Average Net | | 1.01% | 0.80% |
| Total Assets to Total Borrowings | | 12459.30% | 23885.46% |

The Fund's average daily net asset value as of June 30, 2021 and June 30, 2020 is Php10,060,757,948 and Php9,458,534,487.45, respectively.

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

| | Number of Investors | % of Investment | Number of Shares |
|---------------|----------------------------|------------------------|-------------------------|
| Retail | 23,325 | 38.79% | 117,969,398 |
| Institutional | 14,589 | 61.03% | 186,188,292 |

ITEM 3. Geographic Concentration of Investments

| Nationality | Number of Investors | % of Investment | Number of Shares |
|--------------------------------|----------------------------|------------------------|-------------------------|
| Bahamas | 1 | 0.000% | 420 |
| Cambodia | 2 | 0.005% | 16,424 |
| Canada | 3 | 0.002% | 7,649 |
| China | 7 | 0.372% | 1,141,134 |
| France | 1 | 0.017% | 53,061 |
| Germany | 1 | 0.000% | 1,281 |
| India | 2 | 0.001% | 2,242 |
| Indonesia | 7 | 0.030% | 93,314 |
| Ireland | 1 | 0.028% | 85,912 |
| Italy | 1 | 0.002% | 5,628 |
| Malaysia | 1 | 0.000% | 888 |
| New Zealand | 4 | 0.004% | 11,314 |
| Panama | 2 | 0.000% | 869 |
| Philippines | 37,868 | 99.513% | 304,972,685 |
| Qatar | 2 | 0.000% | 425 |
| Singapore | 1 | 0.001% | 1,847 |
| South Korea | 1 | 0.001% | 2,783 |
| Taiwan | 2 | 0.004% | 13,734 |
| United Kingdom (UK) | 2 | 0.000% | 1,201 |
| United States of America (USA) | 4 | 0.017% | 51,718 |
| Venezuela | 1 | 0.000% | 205 |
| | 37,914 | 100.00% | 306,464,734 |

ITEM 4. Fund Performance

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

Calendar Year Returns %

| Returns | 2020 | 2019 | 2018 | 2017 | 2016 |
|---------|-------|------|--------|-------|-------|
| PEFI | -8.25 | 3.45 | -10.86 | 23.3 | -1.33 |
| PSEi | -8.64 | 4.68 | -12.76 | 25.11 | -1.6 |

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

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

| | Interim (Unaudited) June 30, 2021 | Audited December 31, 2020 |
|--|--------------------------------------|------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Note 6) | 573,479,765 | 628,070,280 |
| Financial assets at fair value through profit and loss (Note 7) | 9,823,395,591 | 10,036,000,385 |
| Loans and receivables (Note 8) | 37,482,363 | 82,264,310 |
| Other assets | - | - |
| Total Current Assets | 10,434,357,719 | 10,746,334,975 |
| Total Assets | 10,434,357,719 | 10,746,334,975 |
| LIABILITY AND EQUITY | | |
| Current Liabilities | | |
| Accrued expenses and other liabilities (Note 9) | 83,747,572 | 89,557,150 |
| Equity (Note 10) | | |
| Capital stock | 304,157,690 | 306,494,903 |
| Additional paid-in capital | 9,374,405,681 | 9,401,575,739 |
| Retained earnings | 672,046,776 | 948,707,183 |
| Total Equity | 10,350,610,148 | 10,656,777,825 |
| Total Liabilities and Equity | 10,434,357,719 | 10,746,334,975 |
| Net Asset Value Per Share | 34.0304 | 34.7698 |

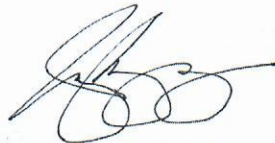
See accompanying Notes of Financial Statements

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 CITY OF MANILA on AUG 20 2021.

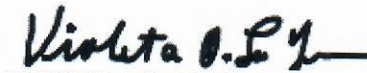
PHILEQUITY FUND, INC.

By:



IGNACIO B. GIMENEZ

Chairman & President¹



VIOLETA O. LUYM

Treasurer²


Edmundo P. Bunc, Jr. (Aug 18, 2021 14:50 GMT+8)



Angelica Cabanit (Aug 19, 2021 13:35 GMT+8)

MA. ANGELICA CABANIT

Compliance Officer



ATTY. JONATHAN P. ONG

Corporate Secretary

Name

Ignacio B. Gimenez

TIN: 228-111-486

Violeta O. Luym

TIN: 109-731-437

Ma. Angelica D. Cabanit

TIN: 107-184-956

Jonathan P. Ong

TIN: 162-906-632

¹ equivalent to Principal Executive Officer / Principal Operating Officer

² equivalent to Principal Financial Officer

AUG 20 2021

DOC. NO. 436
PAGE NO. 87
BOOK NO. 11
SERIES OF 2021

ATTY. HENRY D. ADASA

NOTARY PUBLIC CITY OF MANILA
UNTIL DECEMBER 31, 2021
NOTARIAL COMMISSION 057 MIA
IBP NO. 141253 - 01/04/2021, PABIG
PTR NO. 9826148 - 01/05/2021 MIA
ROLL NO. 29679, TIN: 172-528-620
(21) MCLE COMPL. NO. VII-0000165
URBAN DECA HOME MANILA, B-2, UNIT 355

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

| | For the Period Ended (Unaudited) | | For the Quarter (Unaudited) | |
|---|----------------------------------|------------------------|-----------------------------|------------------------|
| | June 30, 2021 | June 30, 2020 | June 30, 2021 | June 30, 2020 |
| INVESTMENT INCOME (LOSS) | | | | |
| Net gain (loss) on financial assets at fair value through profit or loss (Note 7) | (235,045,058) | (2,249,217,647) | 701,840,436 | (2,941,157,772) |
| Dividends | 111,323,217 | 97,016,592 | 32,933,064 | 49,724,367 |
| Interest | 176,926 | 12,746,580 | 63,801 | 2,177,991 |
| Other income | - | - | - | - |
| | (123,544,915) | (2,139,454,476) | 734,837,301 | (2,889,255,413) |
| EXPENSES | | | | |
| Management fee | 85,300,180 | 80,279,519 | 42,072,856 | 37,361,082 |
| Commission Expense | 6,366,872 | 5,798,961 | 3,131,528 | 3,349,790 |
| Taxes and licenses | 8,617,853 | 8,118,244 | 2,920,417 | 4,342,690 |
| Transaction cost | 451,245 | 113,390 | 414,321 | 74,725 |
| Director's fee | 88,889 | 188,889 | (0) | 100,000 |
| Professional fee | 250,873 | 422,121 | 126,130 | 214,061 |
| Others | 79,550 | 1,431,548 | 14,950 | 115,569 |
| | 101,155,462 | 96,352,672 | 48,680,202 | 45,557,916 |
| INVESTMENT INCOME (LOSS) BEFORE INCOME TAX | (224,700,377) | (2,235,807,148) | 686,157,099 | (2,934,813,329) |
| PROVISION FOR INCOME TAX | | | | |
| Current - RCIT | - | - | - | - |
| Final | 35,385 | 2,549,316 | 12,760 | 540,598 |
| | 35,385 | 2,549,316 | 12,760 | 540,598 |
| INVESTMENT INCOME (LOSS) AFTER INCOME TAX | (224,735,762) | (2,238,356,464) | 686,144,339 | (2,935,353,927) |
| OTHER COMPREHENSIVE INCOME (LOSS) | - | - | - | - |
| TOTAL COMPREHENSIVE INCOME (LOSS) | (224,735,762) | (2,238,356,464) | 686,144,339 | (2,935,353,927) |
| EARNINGS PER SHARE (LOSS) PER SHARE | | | | |
| (Note 13) | (0.7357) | (7.3783) | 2.2437 | 3.8951 |

See accompanying Notes of Financial Statements

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

| | For the Semester Ended (Unaudited) | | For the Semester Ended (Unaudited) | |
|---|------------------------------------|-----------------------|------------------------------------|----------------------|
| | June 30, 2021 | | June 30, 2020 | |
| | No. of Shares | Amount | No. of Shares | Amount |
| CAPITAL STOCK | | | | |
| Capital Stock - 1 par value | | | | |
| Authorized | 1,000,000,000 | 1,000,000,000 | 1,000,000,000 | 1,000,000,000 |
| Issued: | | | | |
| Balance at beginning | 306,494,903 | 306,494,903 | 299,067,115 | 299,067,115 |
| Issuance | 10,191,470 | 10,191,470 | 13,523,483 | 13,523,483 |
| Redemption | (12,528,683) | (12,528,683) | (6,295,399) | (6,295,399) |
| Balance at end of period | 304,157,690 | 304,157,690 | 306,295,199 | 306,295,199 |
| ADDITIONAL PAID-IN CAPITAL | | | | |
| Balance at beginning of the year | | 9,401,575,739 | | 9,094,006,192 |
| Issuance in excess of par value | | 330,186,999 | | 49,227,735 |
| Redemption | | (357,357,057) | | 177,661,054 |
| Balance at end of period | | 9,374,405,681 | | 9,320,894,981 |
| RETAINED EARNINGS | | | | |
| Balance at beginning of year | | 948,707,183 | | 1,940,709,315 |
| Net investment income | | (224,735,762) | | (2,238,356,464) |
| Excess of the redemption cost over cost over the original selling price | | (51,924,644) | | (15,744,517) |
| Balance at end of period | | 672,046,776 | | (313,391,667) |
| Net Unrealized Gain on Available-for-Sale Investment | | - | | - |
| | | 10,350,610,148 | | 9,313,798,513 |

See accompanying Notes of Financial Statements

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

STATEMENTS OF CASH FLOWS

| | For the Period Ended (Unaudited) | |
|---|---|----------------------|
| | June 30, 2021 | June 30, 2020 |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Investment income/(loss) before income tax | (224,700,377) | (2,235,807,148) |
| Adjustments for: | | |
| Net unrealized gain on change in fair value of financial assets at fair value through profit or loss (FVPL) | 235,045,058 | (1,896,662,008) |
| Changes in operating assets and liabilities (Increase) decrease: | | |
| Financial assets at fair value through profit or loss | (22,440,264) | 4,665,101,650 |
| Loans and receivables | 44,781,947 | (152,036,312) |
| Prepaid expenses and other assets | - | (411,708) |
| Increase (decrease) in accrued expenses and other liabilities | (5,809,579) | (9,952,771) |
| Net cash generated from (used for) operations | 26,876,784 | 370,231,704 |
| Income tax paid | (35,385) | (2,549,316) |
| Net cash provided by (used in) operating activities | 26,841,399 | 367,682,388 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from subscriptions of capital stock | 340,378,469 | 62,751,218 |
| Payments for redemptions of capital stock | (421,810,384) | 155,621,137 |
| Net cash provided by (used in) financing activities | (81,431,915) | 218,372,355 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (54,590,516) | 586,054,743 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | 628,070,280 | 826,483,052 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 4) | 573,479,764 | 1,412,537,795 |
| OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS | | |
| Interest received | 176,926 | 13,016,060 |
| Dividends received | 111,928,513 | 86,294,887 |
| | 112,105,439 | 99,310,948 |

See accompanying Notes of Financial Statements

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

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Philequity Fund, Inc. (the Fund) was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on February 21, 1994 under the Philippine Investment Company Act (ICA) (Republic Act 2629), as an open-end mutual fund company. The Fund has a corporate life of 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 securities, both debt and equity.

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 2005 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 2, 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 the 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, 2021 and December 31, 2020 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 the 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.

On June 30, 2021 and 2020, 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, 2021 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', '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, 2021, 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, 2021 and December 31, 2020.

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 effective interest rate (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, 2021, 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, 2021 and 2020, 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 effective interest rate 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 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, 2021 and December 31, 2020.

- *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 Judgments, Estimates and Assumptions

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 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 therefrom, 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, 2021 and December 31, 2020, 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 5.00% 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.

| | June 30, 2021 | | | December 31, 2020 | | |
|-------------------------------------|----------------|-------------------|----------------|-------------------|-------------------|----------------|
| | Up to a Year | More than a Year* | Total | Up to a Year | More than a Year* | Total |
| Financial Assets: | | | | | | |
| Cash and cash equivalents | 573,479,765 | - | 573,479,765 | 628,070,280 | - | 628,070,280 |
| Financial Assets at FVPL | | | | | | |
| Quoted equity securities | 9,823,395,591 | - | 9,823,395,591 | 10,036,000,385 | - | 10,036,000,385 |
| Loans and Receivables | | | | | | |
| Receivables | | | | | | |
| Due from brokers | - | - | - | 74,823,488 | - | 74,823,488 |
| Dividend receivables | 37,482,363 | - | 37,482,363 | 7,440,822 | - | 7,440,822 |
| Accrued interest | - | - | - | 0 | - | 0 |
| Total loans and receivables | 37,482,363 | - | 37,482,363 | 82,264,310 | - | 82,264,310 |
| Other Assets | 0 | - | 0 | - | - | - |
| | 10,434,357,720 | - | 10,434,357,720 | 10,746,334,974 | - | 10,746,334,975 |
| Other Financial Liabilities: | | | | | | |
| Accrued expenses and | | | | | | |
| other current liabilities | 83,747,572 | - | 83,747,572 | 89,557,150 | - | 89,557,150 |

* Equity securities are included in more than one year because it has no definite contractual maturity.

As of June 30, 2021 and December 31, 2020, all financial liabilities of the Fund subject to liquidity risk are contractually payable at their face amounts. The Fund considers its cash equivalents, financial assets at FVPL, and loans receivables as its 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.

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

The effectiveness of the diversification of the portfolio may be evaluated by comparing the volatility of the portfolio versus the volatility of the Philippine Stock Exchange Index (PSEi), the benchmark portfolio for the Fund.

a. Foreign Currency Risk

As of June 30, 2021 and December 31, 2020, the Fund does not have significant exposure to changes in foreign exchange.

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 listed 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 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.

Offsetting of financial assets and liabilities

The amendments to PFRS 7, which is effective January 1, 2013, requires the Company to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements.

As of June 30, 2021 and December 31, 2020, the Company does not have financial instruments that can be offset under enforceable master netting agreements or similar agreements.

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 FVPL

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 June 30, 2021 and December 31, 2020:

| | June 30, 2021 | | December 31, 2020 | |
|--|----------------|----------------|-------------------|----------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial Assets: | | | | |
| Financial Assets at FVPL | | | | |
| Listed equity securities | 9,823,395,591 | 9,823,395,591 | 10,036,000,385 | 10,036,000,385 |
| Loans and Receivables | | | | |
| Cash & cash equivalents | 573,479,765 | 573,479,765 | 628,070,280 | 628,070,280 |
| Receivables | | | | |
| Due from brokers | - | - | 74,823,488 | 74,823,488 |
| Dividend receivables | 37,482,363 | 37,482,363 | 7,440,822 | 7,440,822 |
| Accrued interest | - | - | - | - |
| Other receivable | - | - | - | - |
| Total loans and receivables | 37,482,363 | 37,482,363 | 82,264,310 | 82,264,310 |
| Other Assets | - | - | - | - |
| | 10,434,357,720 | 10,434,357,720 | 10,746,334,975 | 10,746,334,975 |
| Other Financial Liabilities: | | | | |
| Accrued expenses and other current liabilities | 83,747,572 | 83,747,572 | 89,557,150 | 89,557,150 |

6. Cash and Cash Equivalents

This account consists of:

| | June 30, 2021 | December 31, 2020 |
|--|--------------------|--------------------|
| Cash in banks | 564,159,713 | 628,070,280 |
| Short-term placements and cash equivalents | 9,320,052 | - |
| Total | 573,479,765 | 628,070,280 |

Cash in banks earns interest at the prevailing bank deposit rates. Short-term deposits are 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 FVPL

Financial assets at FVPL consist of investments in shares of stock listed in the Philippine Stock Exchange held for trading.

Part of the risk management process of the Fund is the analysis and monitoring of the real economic position including those investments that are not actively traded. The performance of the Fund is being measured or evaluated on a fair value basis.

Changes in market value are included as "Net gain (loss) of financial assets at FVPL" in the statement of comprehensive income.

8. Loans and Receivables

This account consists of:

| | June 30, 2021 | December 31, 2020 |
|---------------------|-------------------|-------------------|
| Due from brokers | - | 74,823,488 |
| Dividend receivable | 37,482,363 | 7,440,822 |
| Total | 37,482,363 | 82,264,310 |

Due from brokers pertains to receivables from stocks sold transactions settled the following month.

9. Accrued Expenses and Other Liabilities

This account consists of the following:

| | June 30, 2021 | December 31, 2020 |
|------------------------|-------------------|-------------------|
| Due to brokers | 50,097,704 | 27,364,443 |
| Due to related parties | 29,308,223 | 13,490,675 |
| Accounts payable | 2,780,981 | 43,038,324 |
| Accrued expenses | 1,055,583 | 1,535,947 |
| Other liabilities | 505,080 | 4,127,761 |
| Total | 83,747,571 | 89,557,150 |

Settlement payable account pertains to settlement payable to brokers arising from the acquisition of investment securities. This is normally due for settlement within three (3) to five (5) days from the trade date. Due to brokers pertains to payables related to buy transactions settled the following month.

10. Equity

Capital Stock

The Fund's capital stock consists of:

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

| | 30-Jun-21 | | 31-Dec-20 | |
|-------------------------|---------------|-------------|---------------|-------------|
| | Shares | Amount | Shares | Amount |
| Common - 1.00 par value | | | | |
| Authorized | 1,000,000,000 | | 1,000,000,000 | |
| Issued and outstanding | 304,157,690 | 304,157,690 | 306,494,903 | 306,494,903 |

| | |
|----------------------|-------------------|
| Date of SEC Approval | Authorized Shares |
| February 21, 1994 | 1,000,000,000 |

NAV Per Share

As an open-end mutual fund company, the Fund stands ready at any time to redeem the outstanding capital stock at Net Asset Value (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. This valuation is not aligned with PAS 39 valuation requirements. However, if the closing prices are within the bid and ask prices this can be accepted per PFRS.

The table below shows the NAV per share calculated using closing prices:

| | June 30, 2021 | December 31, 2020 |
|--|----------------|-------------------|
| NAV attributable to holders of redeemable shares (a) | 10,350,610,148 | 10,656,777,825 |
| Number of shares outstanding (b) | 304,157,690 | 306,494,903 |
| NAV per share (a/b) | 34.0304 | 34.7698 |

Capital Management

The Fund's investment objective is to seek long-term capital appreciation through investment primarily 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.

Due to the Fund's nature as an open-end mutual fund, its capital, consisting entirely of common shares, is variable and increases or decreases depending on the volume of subscriptions and redemptions made by its various shareholders. The maximum number of shares that can be issued is determined by the Fund's authorized capital but may be increased by the Fund upon approval by the SEC. The investment restrictions of the Fund are discussed in Note 4.

As of June 30, 2021 and December 31, 2020, the number of shareholders of the Fund's outstanding redeemable shares is 37,914 and 37,159, respectively.

There are no changes made in the objectives and policies during the periods ended June 30, 2021 and December 31, 2020.

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 ₱50.0 million as required under Section 12 *Structure and Capitalization of Investment Companies* of the ICA. As of June 30, 2021 and December 31, 2020, 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 qualified by any reasons mentioned in the Code. Paid-in capital stock is the amount of outstanding capital stock and paid-in capital or premium over the par value of shares.

As of June 30, 2021 and December 31, 2020, the Fund is in compliance with this requirement. There is no retained surplus profit in excess of 100.00% of paid-in capital stock.

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.

Other related parties include PEMI and other funds being managed by PEMI.

The Fund has a Management and Distribution 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 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 the following month.

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

Related party transactions and balances with PMI for the period ended June 30, 2021 and December 31, 2020 are as follows:

| | Management Fee | Due to PEMI |
|-------------------|----------------|-------------|
| June 30, 2021 | 85,300,180 | 29,308,223 |
| December 31, 2020 | 162,527,702 | 13,490,675 |

Amount owed to PEMI 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 PMI.

12. Segment Reporting

For management purposes, the Fund is organized into one main operating segment, which invests in equity securities and debt instruments. All of the Fund's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Fund as one segment. The financial results from this segment are equivalent to the financial statements of the Fund as a whole.

13. Earnings (Loss) Per Share

| | For the Period Ended | |
|--|----------------------|-----------------|
| | June 30, 2021 | June 30, 2020 |
| Net investment income/(loss) (a) | (224,735,762) | (2,238,356,464) |
| Weighted average number of outstanding shares of stock (b) | 305,465,659 | 303,370,465 |
| Earnings (loss) per share (a/b) | (0.7357) | (7.3783) |