

**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 Registrant as specified in its charter **Philam Managed Income Fund, Inc. ("PMIF" or the "Fund")**
3. **Philippines**
 Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number **CS2005-17003**
5. BIR Tax Identification Number **247-064-691-000**
6. **17/F Philam Life Head Office, Net Lima Building,**
5th Avenue corner 26th Street, Bonifacio Global City, Taguig City
 Address of principal office **1634**
Postal Code
7. Registrant's telephone number, including area code **(632) 8580-0900**
8. Date, time and place of the meeting of security holders
October 22, 2021 10:30 a.m. via Zoom
9. Approximate date on which the Information Statement is first to be sent or given to security holders
September 30, 2021
10. Proxy Solicitation
 Name of Person filing the Statement/Solicitor: **Mr. Roberto Martin S. Enrile**
 Address and Telephone No.: **19/F, BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City**
(632) 8580-0900
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding (as of 30 June 2021)
<u>Common Shares</u> with PHP0.01 par value per share	791,846,198
12. None of PMIF's securities is listed on the Philippine Stock Exchange.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Please be informed that the Annual Meeting of the Stockholders of PHILAM MANAGED INCOME FUND, INC. (the "Company") will be conducted virtually via **Zoom** on **October 22, 2021 at 10:30am**

The agenda for the Annual Stockholders' Meeting shall be as follows:

1. Call to Order
2. Certification of Notice
3. Determination and Declaration of Quorum
4. Reading and approval of the minutes of the Annual Stockholders' Meeting held on 29 October 2020
5. Presentation and approval of the 2020 Audited Financial Statements and other reports of the Fund Manager
6. Approval and confirmation of all acts of the Board of Directors and of Management for 2020
7. Election of Directors for 2021
8. Confirmation of BPI Investment Management, Inc. as Fund Manager, Principal Distributor, Investment Advisor and Transfer Agent (continuing term unless expressly terminated)
9. Appointment of External Auditor of the Fund
10. Amendment of Articles of Incorporation
11. Amendment of By-Laws
12. Other Matters
13. Adjournment

The Board of Directors has fixed 12:00 noon on **31 August 2021** (the "Record Date") as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting of the Stockholders. Only holders of shares of common stock as at the Record Date will be entitled to vote at the Annual Meeting of the Stockholders.

Given the restrictions posed by the community quarantine, stockholders may only attend the meeting through remote communication.

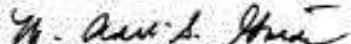
In order that your stock may be represented at the meeting, please accomplish the enclosed Proxy Form and return it via mail / email / fax on or before 14 October 2021 to the Office of the Corporate Secretary through the following:

Via Mail: 19/F BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City
 Via Email: pami_asm@bpi.com.ph
 Via Fax: (02) 8580-4682

Stockholders who intend to participate in the meeting through remote communication shall notify the Corporate Secretary by sending an email to pami_asm@bpi.com.ph before 14 October 2021. Registered Stockholders will receive an email confirmation containing the details about joining the webinar. Stockholders may exercise the right to vote through remote communication or *in absentia*, subject to validation.

(signature page follows)

Very truly yours,


MA. ADELINA S. GATDULA
Corporate Secretary

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION**1. Date, time and place of meeting of security holders**

Date: **22 October 2021**
 Time: **10:30 a.m.**
 Place: **Virtual meeting via Zoom**
Registration for voting in absentia:
<https://www.viashsystem.com/bpi-imi>

Registrant's Mailing Address: **19/F, BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City**

The date on which the Information Statement is first to be sent or given to stockholders is **September 30, 2021**

2. Dissenters' Right of Appraisal

As provided by Title X of the Revised Corporation Code of the Philippines (Republic Act No. 11232) ("Revised Corporation Code"), any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

- 2.1 In case an amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- 2.2 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;
- 2.3 In case of merger or consolidation; and
- 2.4 In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

In order for the stockholder to exercise the right, he or she must vote against any of the enumerated instances which the corporation will pursue. The procedures in the exercise of the right are the following:

- 2.5 Written demand on the corporation within 30 days after the date that the vote was taken.
- 2.6 Submission of the shares of the dissenting stockholder to the corporation for notation within 10 days from the written demand. The corporation has to pay the stockholder with the fair value of the shares within 30 days after demanding payment for his or her shares.
- 2.7 Failure to make the demand within 30 days after the date on which the vote was taken shall be deemed a waiver of the appraisal right.

There will be no matters that will be taken up at the meeting which may warrant the exercise of this right.

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

There is no person who has been a director or officer of PMIF at any time since the beginning of the last calendar year, or who is a nominee for election as director, or an associate of any of the foregoing persons who has a substantial interest in any matter to be acted upon at the Annual Stockholders' Meeting. No member of the Board of Directors (the "Board") has informed PMIF that he intends to oppose any action to be taken by PMIF at the Annual Stockholders' Meeting.

B. CONTROL AND COMPENSATION INFORMATION**4. Voting Securities and Principal Holders Thereof**

(a) The total number of outstanding shares as of June 30, 2021 is 791,846,198, all of which are common and voting. Every stockholder shall be entitled to one (1) vote for each share of stock held as of the established record date with respect to all matters to be taken up during the Annual Stockholders' Meeting.

A stockholder entitled to vote at the Annual Stockholders' Meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock and transfer book of PMIF as of the Record Date. With respect to the election of directors, said stockholder may vote such number of shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares 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 the whole number of directors to be elected.

(b) All stockholders of record as of August 31, 2021 are entitled to receive this Information Statement, and to receive notice of, and vote during the Annual Stockholders' Meeting.

(c)(i) Security Ownership of Certain Record and Beneficial Owners

The name, address, citizenship, number of shares held, and percentage of total ownership of a person (including any group) owning more than 5% of the outstanding voting shares of PMIF as of June 30, 2021 is as follows:

(1) Title of Class	(2) Name and Address of Record Owner and Relationship with the issuer	(3) Name of Beneficial Owner and relationship with Record Owner	(4) Citizenship	(5) No. of Shares	(6) Percentage of Class Held
Common	PHILPLANS FIRST, INC. 6/F UN Ave., Philam Life Bldg Ermita, Manila, Metro Manila Philippines 1226 (Stockholder)	PHILPLANS FIRST, INC. ¹	Filipino	54,365,461	54.37%
Common	PHILAM PROPERTIES CORPORATION 17F 5th Ave. cor. 26th St., Net Lima Bldg., Philam Life Head Office, Bonifacio Global City Taguig, Metro Manila Philippines	PHILAM PROPERTIES CORPORATION ²	Filipino	17,842,882	17.84%
Common	CARLOS, ROSARIO TERESA REYES 23 Lakeview Drive Pasig Metro Manila Philippines	CARLOS, ROSARIO TERESA REYES	Filipino	11,000,000	11.00%
Common	LBP-PROVIDENT FUND 24F 1598 MH Del Pilar Cor. Dr. Quintos St., Landbank Bldg. Malate Manila Metro Manila Philippines 1004	LBP-PROVIDENT FUND ³	Filipino	7,428,819	7.43%

(c)(ii) Security Ownership of Management as of June 30, 2021

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
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¹ Ms. Maria Melinda Bustamante will represent and vote the shares of PHILPLANS FIRST, INC.

² Mr. Eric Lustre will represent and vote the shares of PHILAM PROPERTIES CORPORATION.

³ Ms. Virginia Limbo will represent and vote the shares of LBP-PROVIDENT FUND.

Common	Roberto F. De Ocampo Eugenio Lopez Foundation Building, Col. Joseph R. Mcmicking Campus, 123 Paseo de Roxas, Makati City (Chairman)	1	(R)	Filipino	0.0000%
Common	Elenita G. Villamar 17/F Net Lima Bldg., 5th Avenue cor. 26th Street, Bonifacio Global City, Taguig City (Director & Treasurer)	1	(R)	Filipino	0.0000%
Common	Eric S. Lustre 17/F Net Lima Bldg., 5th Avenue cor. 26th Street, Bonifacio Global City, Taguig City (Director)	1	(R)	Filipino	0.0000%
Common	Reynaldo G. Geronimo No. 5 Zinia Street, Valle Verde 2, Pasig City (President & Director)	1	(R)	Filipino	0.0000%
Common	Arleen May S. Guevara 17/F Net Lima Bldg., 5th Avenue cor. 26th Street, Bonifacio Global City, Taguig City (Director)	1	(R)	Filipino	0.0000%
Common	Meliton B. Salazar, Jr. No. 28 Hunt Street, Filinvest East, Quezon City (Independent Director)	1	(R)	Filipino	0.0000%
Common	Fernando J. Sison III 3 Jocson St., Xavierville 1, Loyola Heights, Quezon City (Independent Director)	1	(R)	Filipino	0.0000%
Common	Ma. Floriliz L. Pedernal 19/F, BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City (Treasurer)	0		Filipino	0.0000%
Common	Ma. Adelina S. Gatdula Penthouse, Liberty Center, 104 H.V. Dela Costa Street, Salcedo Village, Makati City (Corporate Secretary)	0		Filipino	0.0000%
Common	Paolo John D. Purganan 19/F, BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City (Compliance Officer and Data Protection Officer)	0		Filipino	0.0000%
TOTAL		7	(R)	Filipino	0.0000%

(c)(iii) Voting Trust Holders of 5% or more

As of June 30, 2021, there is no voting trust or similar arrangement for 5% or more of PMIF's shares. There are no arrangements which may result in a change of control in PMIF.

(d) Change of Control

There was no change in control in PMIF that occurred since the beginning of the last calendar year.

5. Directors and Executive Officers

a. The following are the current directors and officers of PMIF:

Name	Age	Citizenship	Position	Term
Roberto F. De Ocampo	74	Filipino	Chairman of the Board	1 year (2020-2021)
Reynaldo G. Geronimo	75	Filipino	President and Director	1 year (2020-2021)
Arleen May S. Guevara	58	Filipino	Director	1 year (2020-2021)
Eric S. Lustre	57	Filipino	Director	1 year (2020-2021)
Elenita G. Villamar	57	Filipino	Director and Treasurer	1 year (2020-2021)
Fernando J. Sison III	69	Filipino	Independent Director	1 year (2020-2021)
Meliton B. Salazar, Jr.	54	Filipino	Independent Director	1 year (2020-2021)
Ma. Adelina S. Gatdula	58	Filipino	Corporate Secretary	1 year (2020-2021)
Paolo John D.	36	Filipino	Compliance Officer and Data Protection	1 year (2020-

Purganan		Officer	2021)
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b. The following are the names of the persons who are nominees for election for year 2021-2022:

BOARD OF DIRECTORS	AGE	CREDENTIALS
Roberto de Ocampo (Incumbent Chairman of the Board)	74	Dr. De Ocampo is a Cum Laude graduate with a Bachelor of Arts degree in Economics from the Ateneo de Manila University. He has a Master's degree in Business Administration from the University of Michigan and a post-graduate diploma from the London School of Economics. He has also been conferred three Doctorates (Honoris Causas). Since 2014, Dr. De Ocampo is Chairman of the Board of the following PAMI-managed funds: Philam Fund, Inc., PHILAM GLOBAL BOND FUND, INC., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc., Philam Strategic Growth Fund, Inc., PAMI Global Bond Fund, Inc., PAMI Asia Balanced Fund, Inc. (since 2009), PAMI Horizon Fund, Inc. (since 2011), and PAMI Equity Index Fund, Inc. (since 2014). Dr. De Ocampo was previously the President of the Asian Institute of Management. From 1992 to 1998, he served as the Secretary of Finance under the Ramos administration and was widely recognized as the principal architect of the resurgence of the Philippine economy.
Reynaldo Geronimo (Incumbent Director and President)	75	Atty. Geronimo is a cum laude graduate of Bachelor of Arts (A.B.) at the Ateneo de Manila University. He graduated Second Honors from Ateneo Law School in 1968. He also has a Master of Laws with specialization in Trusts and Estates from the University of Pennsylvania. He is currently a partner in the Romulo Mabanta Buenaventura Sayoc & de los Angeles Law Firm and a co-Chairman of the Banking Group. Atty. Geronimo is known as the Trust Guru, with a regular column in the Manila Standard Today. He is also a bar reviewer in Taxation at the UP Law Center, the UP College of Law, the Law School of UST's Civil Law Faculty, the College of Law of Liceo de Cagayan, and the Ateneo Law School. Atty. Geronimo is a Director of the following PAMI-managed funds since 2014: Philam Fund, Inc., PHILAM GLOBAL BOND FUND, INC., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc., Philam Strategic Growth Fund, Inc., PAMI Global Bond Fund Philippines, Inc., PAMI Asia Balanced Fund Inc., PAMI Horizon Fund Inc., and PAMI Equity Index Fund, Inc.
Aleen May S. Guevara (Incumbent Director)	58	Ms. Guevara is the Senior Vice President and Chief Investment Officer of Philamlife and is currently a Director of PAMI. Ms. Guevara was the PAMI Chairman from 2011-2013. Since 2012, Ms. Guevara has been the director of Philam Fund, Inc., PHILAM GLOBAL BOND FUND, INC., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc., Philam Strategic Growth Fund, Inc., PAMI Global Bond Fund Philippines, Inc., PAMI Asia Balanced Fund Inc., PAMI Horizon Fund Inc., PAMI Global Emerging Markets Fund, Inc. and PAMI Global Equity Fund, Inc. She is also a director (since 2008) at the following - Science Park of the Phils., Inc., Manila Exposition Complex, Inc., Beacon Property Ventures, Inc., Regatta Properties, Inc., and Cebu Light Industrial Park, Inc. Prior to joining Philamlife, she was Deputy Director of the Treasury Department of the Bangko Sentral ng Pilipinas. Ms. Guevara is a magna cum laude graduate of Bachelor of Science in Applied Mathematics from the University of the Philippines.
Eric S. Lustre (Incumbent Director)	57	Mr. Eric S. Lustre is the President and Chief Executive Officer of Philam Asset Management, Inc. Mr. Lustre is also currently serving as the President of Tower Club Corporation since October 2014, as the Chief Executive Officer of Philam Properties since March 2015, as the Head of Real Estate Investment of Philam Life since 2011, as the Country Credit Officer of Philam Life since 1993, and as the Head of Corporate Finance of Philam Life since 1994. Since October 2009, Mr. Lustre is a Director in the following companies representing Philam Life: Philam-Equitable Life Assurance Company, ICCP Holdings, Inc., Science Park of the Philippines, Inc., Regatta Properties, Inc., Beacon Property Ventures, Inc., Pueblo de Oro Development Corporation, Cebu Light Industrial Park, Inc., and RFM-Science Park of the Philippines, Inc. He is also a Director of PHINMA Corporation as a representative of Philam Life since February 2011. Since November 2016, Mr. Lustre served as Director of the following PAMI-managed Funds: PAMI Asia Balanced Fund, Inc., PAMI Equity Index Fund, Inc., PAMI Global Bond Fund, Inc., PAMI Horizon Fund, Inc., PHILAM GLOBAL BOND FUND, INC., Philam Dollar Bond Fund, Inc., Philam Fund, Inc., Philam Managed Income Fund, Inc., and Philam Strategic Growth Fund, Inc. Prior to joining Philam Life and PAMI, Mr. Lustre served in the Analyst, Credit & Corporate Banking Group of Far East Bank & Trust Company and as Assistant Manager in the Local Corporate Department of Citibank N.A. Manila Branch. Mr. Lustre obtained his Bachelor of Science Degree in Business Management from the Ateneo de Manila University and he holds a Masters in Business Management Major in Finance from the Asian Institute of Management.
Elenita G. Villamar (Incumbent Director and Treasurer)	57	Ms. Villamar is the Head of Finance for Philam Asset Management, Inc. Prior to her current position in PAMI, Ms. Villamar was the Vice President for Financial Planning and Cost Management for Philamlife. She has been with Philam for 29 years and has occupied various senior positions in the organization. Ms. Villamar is a Certified Public Accountant with several professional certifications. She has a Bachelor of Science degree in Commerce and Accountancy from the University of Santo Tomas.
Fernando J. Sison III (Incumbent Independent Director)	69	Mr. Fernando J. Sison III is the Treasurer of ALFM Money Market Fund, Inc., ALFM Peso Bond Fund, Inc., ALFM Dollar Bond Fund, Inc., ALFM Euro Bond Fund, Inc., ALFM Growth Fund, Inc., and Philippine Stock Index Fund, Corp. He is also a Director and the Treasurer of ALFM Global Multi-Asset Income Fund, Inc. and an Independent Director of ALFM Retail Corporate Fixed Income Fund, Inc. and ALFM Fixed Income Feeder Fund, Inc. (formerly ALFM Principal Preservation Fund, Inc.) He used to be the President of BPI Investment Management, Inc. from May 2004 up to June 2012. He previously served as Vice President and head of many of BPI's divisions, including AMTG Retail Trust Division, AMTG Portfolio Management Division, SDG Retail Funds Distribution, and Private Banking Unit. He was assigned to BPI International Finance Ltd. (HK) as Head of Investment Management Division and to BPI Capital Corporation – Corporate Finance Group as Vice President and Head of Syndications and Underwriting.
Meliton B. Salazar, Jr. (Incumbent Independent Director)	54	Mr. Salazar has a Ph.D. in International Relations, Major in International Development and Development Management from the School of International Service, The American University, Washington, D.C.; an M.A. in International Political Economy and Development from Fordham University, New York and a B.S. Management Engineering degree from the Ateneo de Manila University. Dr. Salazar is an established figure in the academe being currently the president of the following: University of Iloilo, Iloilo City (since 2009), University of Pangasinan (since 2009 to present), Cagayan de Oro College (since 2005), and Araullo University (since 2004). Dr. Salazar is also Senior Vice President of PHINMA Education Network (since 2003). Among Dr. Salazar's previous positions were President & CEO, STI International (2002 to 2003), President & CEO, iAcademy (2002 to 2003), President & CEO, Systems Technology Institute, Inc. (2001 to 2002) and COO of Systems Technology Institute, Inc. (2000 to 2001). Since November 2013, Mr. Salazar has been Director of the following PAMI-managed mutual funds - Philam Fund, Inc., PHILAM GLOBAL BOND FUND, INC., Philam Dollar Bond Fund, Inc., Philam Managed Income Fund, Inc., Philam Strategic Growth Fund, Inc., PAMI Global Bond Fund Philippines, Inc., PAMI Asia Balanced Fund Inc., PAMI Horizon Fund Inc., and PAMI Equity Index Fund, Inc.

The Chairman of the Nomination Committee is Roberto de Ocampo and the members are Reynaldo Geronimo and Meliton B. Salazar. Messrs. De Ocampo nominated Messrs. Sison & Salazar for independent

director. Messrs. de Ocampo, Sison & Salazar are not related up to the fourth civil degree of consanguinity or affinity.

There is no person who is not an officer and is expected by PMIF to make significant contribution to the Fund.

The Nomination Committee pre-screened candidates and came up with a shortlist of nominees to be presented to the shareholders. Candidates must have the following qualifications to become a member of the Board:

- Every director shall own at least one (1) share of the capital stock of PMIF, which share shall stand in his or her name in the books of the PMIF;
- Be a college graduate;
- Have adequate competency and an understanding of the business of an open-end investment company;
- At least 21 years of age;
- Proven to possess integrity and probity; and
- Must be assiduous.

The Nomination Committee selected the independent directors in accordance with Rule 38 of the Securities Regulation Code ("SRC") and the Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, Series of 2009, as amended).

- (c) PMIF does not maintain any employees nor does it maintain any payroll. PMIF does not expect in the foreseeable future to have any employees.
- (d) The incumbent directors, officers, and nominees for director are not related to each other up to the fourth civil degree either by consanguinity or affinity.
- (e) None of the directors, officers and nominees for director has been involved in the following legal proceedings within the past 5 years:
- Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
 - Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
 - Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
 - Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.
- (f) There was no transaction or proposed transaction during the last 2 years to which PMIF was or is to be a party.

6. Compensation of Directors and Executive Officers

There is no existing Compensation Committee. PMIF does not maintain any employees nor does it maintain any payroll. PMIF does not expect in the foreseeable future to have any employees. Additionally, none of the directors or officers is given any compensation. However, the directors receive per diems and other reimbursements for their attendance at board meetings. There are no other arrangements, standard or otherwise, being paid to the directors. Directors are not compensated in any manner for committee participation, special assignments, or any other arrangements.

There are no compensatory plans or arrangements for any officer that will result in or will result from the resignation, retirement or any other termination of such officer in any amount.

For every board meeting attended by each director, he or she will receive a per diem of Php7,500.00. The directors received the following amounts:

Payment Period	Aggregate Amount Received (in Php)
2019	185,013
2020	153,000

2021 (estimate)	153,000
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7. Independent Public Accountants

The Chairman of the Audit Committee is Meliton Salazar, Jr. and the members are Roberto De Ocampo and Fernando Sison III.

Beginning the calendar year 2009, the accounting firm of Isla Lipana & Co. ("Isla Lipana") was appointed as external auditor of PMIF. Ms. Ruth F. Blasco has been the signing partner of Isla Lipana since 2016 up to 2018. The current signing partner is Ms. Imelda Dela Vega-Mangundaya. Isla Lipana will be recommended to the stockholders for appointment for 2021-2022. PMIF does not expect any representative from Isla Lipana to be present during the Annual Stockholders' Meeting.

PMIF will comply with Revised SRC Rule 68 Part 1(3)(B)(ix) re: rotation of external auditors. In recommending this action, the members of the Board carefully considered Isla Lipana's performance, its independence with respect to the auditing services to be performed, and its general reputation for adherence to professional auditing standards.

8. Compensation Plans

No action is to be taken with respect to Item 8 during the Annual Stockholders' Meeting.

C. ISSUANCE AND EXCHANGE OF SECURITIES

9. Authorization or Issuance of Securities Other than for Exchange

No action is to be taken with respect to Item 9 during the Annual Stockholders' Meeting.

10. Modification or Exchange of Securities

PMIF does not intend to modify any class of its securities, or issue or authorize the issuance of one class of securities in exchange for outstanding securities of another class.

11. Financial and Other Information

PMIF has incorporated by reference the following as contained in the Management Report (attached as Annex A), SEC Form 17-A (Annual Report) (attached as Annex B), and SEC Form 17-Q (Quarterly Report) for the period ended March 31, 2021 (Quarterly Report) (attached as Annex C).

12. Mergers, Consolidations, Acquisitions and Similar Matters

PMIF does not have any plans to merge or consolidate with any entity. Neither does it have any plans to acquire the securities of any other entity, any other going business, or the assets thereof. It does not have any plan to sell or transfer all or any substantial parts of its assets. Neither does it have any plans to dissolve or liquidate.

13. Acquisition or Disposition of Property

PMIF does not own any real property and does not intend to acquire any real property.

14. Restatement of Accounts

PMIF does not intend to restate any of its asset, capital or surplus accounts.

D. OTHER MATTERS

15. Action with Respect to Reports

No action is to be taken with respect to Item 15 during the Annual Stockholders' Meeting.

16. Matters Not Required to be Submitted

All matters or actions to be taken up in the Annual Stockholders' Meeting require the vote of the stockholders.

17. Amendment of Charter, By-laws or Other Documents

The Fund will submit the following to the stockholders for approval, which matters were approved by the Board during its meeting on July 8, 2021:

A. Amendment of the Articles of Incorporation

- Amendment of the Articles of Incorporation of the Fund to: (1) change its corporate name from “Philam Managed Income Fund, Inc.” to “ALFM Cash Management Fund, Inc.”; (2) change its investment objective, such that it reads as follows: “The investment objective of the Fund is to preserve capital through investment in various types of debt and fixed income securities denominated in US dollars;” and (3) change its principal office address to “19/F, BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City, Metro Manila, Philippines.”
- The amendments to the corporate name and investment objective are made to reflect the terms of the agreement with The Philippine American Life and General Insurance (Philam Life) Company/PAMI Group. The amendment to the principal office address is made to reflect the change in principal office address as the fund moves to the location of its new Fund Manager, BPI Investment Management, Inc.

B. Amendment of By-Laws

- Amendment of the By-Laws of the Fund to: (1) include electronic modes of communication (Article I, Section 1. Annual Meetings); (2) revise the notice period for Stockholders’ Meetings (Article I, Section 3. Notice) to 21 days; (3) establish various committees to promote corporate governance (Article III. Committees of the Corporation) such as: Nomination Committee, Audit Committee, Independent Oversight Committee, Corporate Governance Committee, and Related Party Transactions Committee; (4) include Compliance Officer (Article IV. Officers of the Corporation); (5) include investment objectives (Article VII. Investment Policy); (6) definition of assets and liabilities (Article VIII. Determination of Net Asset Value), and (7) change the date of the annual stockholders’ meeting (Article I, Section 1. Annual Meetings).
- The amendments are made to comply with the requirements of the Revised Corporation Code, the Securities Regulation Code and the Investment Company Act and its Implementing Rules and Regulations.

C. Amendment of Registration Statement and Prospectus

- Amendment of the Registration Statement and Prospectus to reflect the matters from items (A) through (B) above.

D. Registration of Units of Participation

- Registration of Units of Participation of the Fund, in accordance with the Implementing Rules and Regulations of the Investment Company Act.

18. Other Proposed Action

There are no other proposed actions with respect to any matter not specifically referred to above during the Annual Stockholders’ Meeting.

19. Voting Procedures

Unless otherwise provided by law, each stockholder shall, at every meeting of the stockholders, be entitled to one vote, in person or by proxy, for each share with voting rights held by such stockholder. Stockholders may also exercise the right to vote through remote communication or *in absentia* as authorized by resolution of the majority of the Board of Directors of the Fund.

All elections and all questions, except as otherwise provided by law, shall be decided, either by majority or 2/3 votes in accordance with the Revised Corporation Code, of the stockholders present in person or by proxy entitled to vote thereat, a quorum (majority of the issued and outstanding capital stock having voting powers) being present.

Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting and entitled to vote thereat, the vote on any question will not be by ballot. In case of a vote by ballot, each ballot shall be signed by the stockholder voting in his name or by his proxy if there be such proxy, and shall state the number of shares voted by him. The Corporate Secretary of PMIF will count and tabulate the votes.

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

No person who has been a director or officer of PMIF or a nominee for election as a director of PMIF nor any of their associates, has a substantial interest in any matter to be acted upon at the Annual Stockholders' Meeting.

No director of PMIF has informed it in writing that he or she intends to oppose any matter to be acted upon at the Annual Stockholders' Meeting.

UPON WRITTEN REQUEST OF ANY OF THE STOCKHOLDERS OF RECORD ENTITLED TO NOTICE OF, AND TO VOTE AT, THE MEETING, PMIF SHALL FURNISH HIM WITH A COPY OF ITS ANNUAL REPORT ON SEC FORM 17-A WITHOUT CHARGE. ANY SUCH WRITTEN REQUEST SHOULD BE ADDRESSED TO:

BPI INVESTMENT MANAGEMENT, INC.
19/F, BPI Buendia Center, Sen. Gil J. Puyat Ave.
Makati City, Philippines

PART II.

INFORMATION REQUIRED IN A PROXY FORM

1. Identification

The proxy solicitation is made by PHILAM MANAGED INCOME FUND, INC. (the "Company"), represented by Mr. Roberto Martin S. Enrile, the President of BPI Investment Management, Inc. ("BIMI"), the Company's investment adviser. The proxy solicitation is in favor of Mr. Enrile or in case of his non-attendance, the Chairman of the Annual Stockholders' Meeting chosen in accordance with the Company's By-Laws.

All costs and expenses incidental to the proxy solicitation will be borne, directly or indirectly, by the Company.

2. Instructions

- (a) The security holder is instructed to complete, and affix their signature on the attached form.
 - (i) If the securities are owned by two or more joint owners, the proxy form must be signed by all of the joint owners.
 - (ii) If the securities are owned in an "and/or" capacity, the proxy form must be signed by either one of the owners.
 - (iii) If the securities are owned by a corporation, association, partnership or unincorporated entity, the proxy form must be accompanied by a certification, signed by a duly authorized officer, partner or representative of such corporation, association, partnership or unincorporated entity, that designates and empowers an authorized signatory to sign the proxy form pursuant to the constitutive documents or duly approved policies of such corporation, association, partnership or unincorporated entity for this particular purpose.
- (b) The security holder appoints Mr. Roberto Martin S. Enrile, or in case of his non-attendance, the Chairman of the Annual Stockholders' Meeting, to represent and vote all shares registered in his or her name as proxy of the undersigned security holder.
- (c) The security holder shall clearly indicate the date of execution of the proxy form. A proxy form which is undated, post-dated, or which provides that it shall be deemed to be dated as of any date subsequent to the date on which it is signed by the security holder, shall not be valid.
- (d) The security holder shall sign the proxy form or have the form signed by a duly authorized representative, and file the same with the Corporate Secretary not later than 5:00 p.m. on October 14, 2021.
- (e) Retrieval and validation of all the proxy forms shall be administered by the Corporate Secretary and persons designated by the Corporate Secretary who shall be under his supervision and control from October 14, 2021 to October 22, 2021.

3. Revocability and Validity of Proxy

The proxy form in favor of the Company shall be irrevocable and shall be effective and valid for a period of five (5) years from the date of its execution. There is no formal procedure or limitation for the right of revocation of a proxy before it is exercised.

4. Persons Making the Solicitation

PMIF is not soliciting any votes. Neither is PMIF aware of any director who intends to oppose any action intended to be taken by PMIF

5. Interest of Certain Persons in Matters to be Acted Upon

There is no person who has been a director, independent director, or nominee for election as director, or independent director, or officer of the Company and, to the best knowledge of the Company, no associate of a director or independent director, or officer, or nominee for election as a director or independent director, or officer of the Company, at any time since the beginning of the last calendar year, has any substantial interest in any matter to be acted upon at the Annual Stockholders' Meeting.

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of MAKATI CITY on SEP 16 2021

PHILAM MANAGED INCOME FUND, INC.


By: MA. ADELINA S. GATDULA
Corporate Secretary

***PLEASE FILL OUT AND SIGN THIS PROXY FORM AND RETURN OR FAX IMMEDIATELY TO:**
BPI INVESTMENT MANAGEMENT, INC.
19/F, BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City
(02) 8580-0900
Email: pami_asm@bpi.com.ph
Fax: (02) 8580-4682

STOCKHOLDER PROXY

The undersigned stockholder (the "Stockholder") of PHILAM MANAGED INCOME FUND, INC. (the "Company"), hereby appoints Mr. Roberto Martin S. Enrile, with full power of substitution and delegation, or, in case of his non-attendance, the Chairman of the Annual Stockholders' Meeting of the Company, chosen in accordance with the Company's By-Laws, as the Stockholder's proxy to represent the Stockholder and vote all shares registered in the Stockholder's name in the books of the Company, at the Annual Meeting of the Stockholders to be conducted virtually via Zoom on October 22, 2021 at 10:30 am, and any adjournments and postponements thereof, as fully to all intents and purposes as the stockholder might or could do if present in person, hereby ratifying and confirming any and all actions to be taken during any said meetings and adjournments thereof for the purpose of acting on the following matters:

1. Approval of minutes of previous Annual Stockholders' Meeting held on July 31, 2019
 - ☐ For
 - ☐ Against
 - ☐ Abstain
2. Approval of the 2020 Annual Report and Audited Financial Statements
 - ☐ For
 - ☐ Against
 - ☐ Abstain
3. Ratification and approval of the acts of the Board of Directors and Management since the last Annual Stockholders' Meeting
 - ☐ For
 - ☐ Against
 - ☐ Abstain
4. Election of Directors

The security holder may withhold authority to vote for any nominee by striking out the name of the nominee. Please only check the box opposite the nominee you wish to elect.

 - ☐ Robert De Ocampo
 - ☐ Arleen May Guevara
 - ☐ Reynaldo Geronimo
 - ☐ Fernando J. Sison III*
 - ☐ Meliton Slazar, Jr.*
 - ☐ Eric s. Lustre
 - ☐ Elenita G. Villamar

*Independent Director
5. Confirmation of BPI Investment Management, Inc. as Fund Manager, Principal Distributor, Investment Advisor and Transfer Agent (continuing term unless expressly terminated)
 - ☐ For
 - ☐ Against
 - ☐ Abstain
6. Appointment of external auditor for 2021
 - ☐ For
 - ☐ Against
 - ☐ Abstain
7. Approval of the Amendment of Articles of Incorporation reflect the following changes:
 - Change in Corporate Name – from "Philam Managed Income Fund, Inc." to "ALFM Cash Management Fund, Inc."
 - ☐ For
 - ☐ Against
 - ☐ Abstain
 - Change in principal office address – to "19/F, BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City, Metro Manila, Philippines"

- ☐ For
- ☐ Against
- ☐ Abstain

- Change in Investment Objective

- ☐ For
- ☐ Against
- ☐ Abstain

8. Approval of the Amendment of By-Laws to reflect the following changes:

- Date of annual meeting – last Friday of May or such other date determined by the Board

- ☐ For
- ☐ Against
- ☐ Abstain

- Notice of meeting – Notices shall be sent at least twenty-one (21) calendar days prior to the date of the regular meeting

- ☐ For
- ☐ Against
- ☐ Abstain

- Participation of stockholders in the Stockholders' Meeting through remote communication

- ☐ For
- ☐ Against
- ☐ Abstain

- Right to vote of stockholders through remote communication or in absentia

- ☐ For
- ☐ Against
- ☐ Abstain

- Inclusion of electronic modes of communication

- ☐ For
- ☐ Against
- ☐ Abstain

- Revision of notice period for Stockholders' Meetings

- ☐ For
- ☐ Against
- ☐ Abstain

- Establishment of various committees to promote corporate governance

- ☐ For
- ☐ Against
- ☐ Abstain

- Inclusion of Compliance Officer

- ☐ For
- ☐ Against
- ☐ Abstain

- Inclusion of investment objectives

- ☐ For
- ☐ Against
- ☐ Abstain

- Alignment of definition of assets and liabilities

- ☐ For
- ☐ Against

- ☐ Abstain
9. Approval to amend the Registration Statement and Prospectus to reflect items (7) and (8) above
- ☐ For
☐ Against
☐ Abstain
10. Approval to register units of participation in accordance with the Implementing Rules and regulations of the Investment Company Act
- ☐ For
☐ Against
☐ Abstain

This proxy revokes and supersedes any previously executed proxy or proxies. This proxy shall be valid for a period of five (5) years from the date of its execution.

This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder. If no direction is made, this proxy will be voted "For" the approval of the matter stated above and for such other matters as may properly come before the meeting, including matters which the solicitors do not know a reasonable time before the solicitation are to be presented at the meeting, and those incidental to the conduct of the meeting, in the manner described in the information statement and/or as recommended by management or the board of directors.

Signed on this _____ day of _____, _____ in _____.

 Signature of Stockholder or Stockholder's Representative over Printed Name /
 Portfolio Number

Annex A. MANAGEMENT REPORT**Financial and Other Information***Market Information*

PMIF is not listed in the Philippine Stock Exchange (PSE). The shares are being sold by SEC Certified Investment Solicitors (CISols) thru the fund's authorized distributors.

Holders

As of June 30, 2021, there were a total of 580 holders of redeemable common stock (one class of shares only).

**Top 20 Shareholders
as of June 30, 2021**

	Shareholders' Name	Number of Shares Held	Percentage of Total Shares Outstanding
1	PHILPLANS FIRST, INC.	54,365,461.00	54.37%
2	PHILAM PROPERTIES CORPORATION	17,842,882.00	17.84%
3	CARLOS, CAROLINA PAULA	11,000,000.00	11.00%
4	LBP-PROVIDENT FUND	7,428,819.00	7.43%
5	CARLOS, ROSARIO TERESA REYES	2,714,001.00	2.71%
6	INTEGRATED BAR OF THE PHILIPPINES	2,162,491.00	2.16%
7	ESPIRITU, EMMA B	1,716,518.00	1.72%
8	CHUANG, KENNETH CHAN	857,979.00	0.86%
9	ASIAN ASSOCIATION OF SCHOOL HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT PRACTITIONERS FOUNDATIONS, INC	518,224.00	0.52%
10	VELASQUEZ, RINA ISABEL A	337,623.00	0.34%
11	SY, MARCIANO JR LEE	244,670.00	0.24%
12	ALTAVAS, YOLANDA M	146,413.00	0.15%
13	SARDALLA, PATRICIA A	100,449.00	0.10%
14	CERVANTES, CHRISTOPHER GOLPO	86,663.00	0.09%
15	PUEDA, DORIS CABASAG	86,363.00	0.09%
16	DACULOS, JOSIE LEGASPI	86,147.00	0.09%
17	ALEGRIA, GEMMA NONAILLADA	84,221.00	0.08%
18	SAN VICENTE BAGUIO CITY MULTIPURPOSE COOPERATIVE	84,200.00	0.08%
19	LIWAGAN, CATHERINE G	66,248.00	0.07%
20	CABRERA, ALMA S	28,030.00	0.03%

Dividends

PMIFI has not declared any cash dividends for the last three (3) years. The Board of PMIFI may decide to declare dividends, whether in the form of cash, property or stock, from the unrestricted retained earnings of the Fund at a time and percentage as the Board may deem proper and in accordance with the pertinent laws.

Under the Investment Company Act, the Fund shall not pay any dividend, or make any distribution in the nature of a dividend payment, wholly or partly from any source other than: (i) from the Fund's accumulated undistributed net income, determined in accordance with good accounting practices and including profits or losses realized upon the sale of securities or properties; or (ii) from the Fund's earned surplus so determined for the current or preceding fiscal year, unless such payment is accompanied by a written statement which adequately discloses the source or sources of such payment. The SEC may prescribe the form of such statement by rules or regulations or by order in the public interest and for the protection of investors. The Fund shall also not advertise such dividends in terms of centavos or pesos per share without also stating the percentage they bear to the par value per share.

MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

AS OF JUNE 30, 2021

Philippine 2Q GDP contracted 1.3% quarter-on-quarter; despite headline year-on-year growth of 11.8%. This is on the back of Enhanced Community Quarantine (ECQ) imposition in Metro Manila and other parts of the country last April. The Service Sector, which accounts for 60% of the output, was the most affected as it contracted 2.8% quarter-on-quarter. Household spending remains modest at +7.2% considering the 2Q2020 contracted 15.3%. The figure of the household spending- which is a main driver of the economic growth in the Philippines- remains fragile and at risk considering that there is an on-going concern over the mutation of Covid-19 strain to a more lethal genome sequence.

Bangko Sentral has continued to reiterate that it will keep its policy accommodative until the economy recovers and remains confident that they have an arsenal of policy tools ready to be deployed. Further rate cut seems to be unwarranted or ineffective as credit growth remains negative.

Inflation continued to ease for the quarter as the June inflation settled at 4.1% from March-May's 4.5% and February's 4.7%; bringing year-to-date inflation average to 4.4%. The lower inflation is attributed to the lower transportation cost which offset the still elevated food prices as meat prices remain stubborn with the supply disruption due to the African Swine Fever.

With the dovish BSP and tempered inflation, government yields declined an average of 150 basis points. Money market yields declined by an average of 215 basis points while the 1-3years tenor are lower by an average of 227 basis points.

For the quarter, the Philam Managed Income Fund bounced back to the positive return-on-equity with a quarter-on-quarter return of 0.63%, bring year-to-date return to 0.18%, net of taxes and fees, or a NAV per share of PHP 1.3237 or PHP 0.0083 higher from previous quarter. Interest income from the FVTPL assets contributed to the revenue of the fund along with the unrealized fair value gain for the quarter as yield declined on the intermediate to short-end of the yield curve.

Current liquidity ratio remains healthy. No other notable matter to be reported.

For 3Q, we expect that Growth will remain sluggish with the vaccination rate low and the on-going health threat from the Covid-19 which can further derail opening of the economy. At the current vaccination pace, the Philippines is expected to achieve 70% herd immunity by Q2-2022. It is quite evident the importance of herd immunity for the reopening of the economy as observed from other countries. With growth still moderate and inflation slowing down, we expect the BSP to remain accommodative until end of 2022.

Top Five Key Performance Indicators

- a) Performance vis-à-vis the Benchmark – The Fund ended the second quarter with a year-to-date return of 0.18% net of taxes and fees, underperforming its benchmark by 80 basis points.
- b) Portfolio Quality – The Fund's portfolio should, at all times, adhere to the investment parameters as indicated in the Fund's prospectus. Based on the Fund's total asset, the Fund is invested mostly in government securities (37.28%), corporate securities (45.70%), cash and cash equivalent (16.94%) and other assets (0.08%).
- c) Market Share in the Industry – Philam Managed Income Fund is now categorized under the Peso Denominated Bond Fund as it has a duration of more than 1 year. The Peso Bond Fund Category is dominated mainly by ALFM Peso Bond Fund (71.2%), Philam Bond fund (11%) and Sun Life Prosperity Bond Fund (7.8%). In the bond fund category, Philam Managed Income Fund has a 1.7% market share.
- d) NAV Growth vis-à-vis Industry Growth – The Fund's average daily net asset value for the second quarter of 2021 was at PHP 1.08 Billion. The Bond Fund segment contracted by 0.17% while Philam Managed Income Fund's Trading NAV grew 5.84%.
- e) Performance vis-a-vis Competition – The Fund's performance is also compared against the performance of other players in the market. As of end-June 2021, Philam Managed Income Fund is ranked fourth out of eleven funds.

Discussion and analysis of material events and/or uncertainties known to the management that would address the past and would have an impact on future operations.

Any known trends, demands, commitments, events or uncertainties that will have material impact on the issuer's liquidity:

Liquidity of the fund may be affected by the market's depth or the existence of readily available buyers and sellers in the market.

Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

None

All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period:

None

Any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures:

None

Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations:

None

Any significant elements of income or loss that did not arise from the issuer's continuing operations:

The Fund Manager is not aware of any significant element of income or loss that did not arise from the Fund's continuing operations.

NAVPS for the 2nd Quarter of 2021:

QUARTER	DATE	NAVPS	
2nd	05-Apr-21	1.3151	LOW
	11-Jun-21	1.3257	HIGH

AS OF DECEMBER 31, 2020

Philippines 2020 GDP contracted 9.325%, the worst since World War II, on the back of the world's longest and most stringent lock-down measures due to the health crisis brought by the novel Corona-19 Virus which impeded people's mobility and disrupted supply chain, domestically and internationally. The extent of the damage to the economy brought by the pandemic remains immeasurable as it continues to weigh on with no medicine or vaccine available as of the year-end to curtail the effect of Covid-19 virus in the country. Like the Philippines, the rest of the world economies suffered from lockdowns to various degree. Philippines unemployment rate peaked at 17.7%

The Bangko Sentral ng Pilipinas, for the year, reduced its overnight borrowing rate from 4% at the beginning of the year to 2%; a total of 200 basis points reduction, in a bid to cushion the impact of the damage brought by the pandemic to the economy. At the same time, the reserve requirement ratio (RRR) of the universal and commercial banks were lowered by 200 basis points to encourage banks to continue lending to both retail and corporate sectors, as well as, ensure sufficient liquidity in the monetary system. A 100 basis points reduction in the RRR releases about PHP 90 Billion in to the system. To date, the RRR of the universal and commercial banks is at 12%, thrift banks at 3% and rural banks at 2%.

2020 was a tumultuous year for the bond market. The yields climbed by an average of 20 basis points at the beginning of the year, then reversing it the following month. By March, with the sudden "lock-down" in place and anxiety level rose as people were prohibited from leaving their home, yields climbed as much as 40 basis points across the yield curve with the bid/cover spread widened with the risk-adverse investors dashed for cash. To calm the bond market, the government pledged to buy at least PHP 300 billion worth of government securities in the secondary market and reduced its overnight policy rate aggressively to support the weakness of the economy. By the end of the second quarter, the yields declined by 187 basis points on a quarter-on-quarter basis. By end of the year, the yields have declined on average of 163 basis points for the full year.

For the year, the Philam Managed Income Fund gave a 5.14%, net of taxes and fees, or a Trading NAV per share of PHP 1.3213 or PHP 0.0646 up from FY 2019 of PHP 1.2567. Despite a difficult year, coupled with low interest environment, the Fund was able to have a higher Gross Income in 2020 of PPHP 63.78 Million vs

2019's PHP 50.41 Million. This was brought about by security selection where the Fund began preferring highly rated corporate securities versus government bonds in 2020, where the corporate securities typically carry a spread over government security. As a result, the income from FVTPL rose by PH 12 Million and interest come rose by PHP 1.2 Million. This led to a higher Earnings-Per-Share (EPS) of PHP 0.0784 vs 2019's EPS of 0.0371.

As the year ended, the Fund's duration is at 1.72 years. For 2021, we expect Philippine economic growth to pick up on the back of vaccination prospect and ease of lock down which will improve mobility and consumption. At the same time, due to the reopening of economies globally, we expect inflation to pick up amidst higher oil prices due to increase in mobility with pent-up demand. Supply chain will improve and recover. Infrastructure projects of the government will be expedited to help buoy the economy back to pre-pandemic level. Near term, we are also optimistic on domestic consumption with the impending delivery of vaccines and the near-term catalyst of May 2022 national election.

As for the monetary policy, the BSP is expected to remain supportive with the overnight lending rate to remain at 2% while there is room for further RRR cut to single digit from the current 12% in 2021 to support the recovering economy. Short-term rates is expected to remain low on the back of ample liquidity despite the expected higher debt supply coming from the private sector and government. Investors will remain risk adverse until the health crisis is under control.

Thus, for 2020, the Fund will be cautiously positioning amidst higher inflation expectation and as the Philippine economy recovers. Long-term investment in the fund is highly recommended to get the full reward of investing and investors should be prepared to withstand short term volatility.

Top Five Key Performance Indicators

a) Performance vis-à-vis the Benchmark – The Fund ended 2020 with a gain of 5.14% net of taxes and fees, outperforming its benchmark by 1 basis point.

b) Portfolio Quality – The Fund's portfolio should, at all times, adhere to the investment parameters as indicated in the Fund's prospectus. The Fund was invested mostly in corporate securities (38.66%), government securities (33.22%), fixed income funds (5.60%), and cash and cash equivalent (22.52%) based on total assets.

c) Market Share in the Industry – Philam Managed Income Fund is now categorized under the Peso Denominated Bond Fund as it has a duration of more than 1 year. The Peso Bond Fund Category is denominated mainly by ALFM Peso Bond Fund (70.4%), Philam Bond fund (11.6%) and Sun Life Prosperity Bond Fund (8.4%). In the bond fund category, Philam Managed Income Fund has a 1.6% market share.

d) NAV Growth vis-à-vis Industry Growth – The Fund's average daily NAV for 2020 was at PHP 1.01 Billion. The Philam Managed Income Fund with a duration of more than 1 year has joined the Peso-Denominated Bond Fund Category. The Bond Fund segment grew by 1.70 % vs Philam Manged Income Fund's Trading NAV growth of 11.101%.

e) Performance vis-a-vis Competition – The Fund's performance is also compared against the performance of other players in the market. As of end- December 2020, Philam Managed Income Fund is ranked fourth out of eleven funds.

NAVPS per quarter for the year 2020:

QUARTER	DATE	NAVPS	
1st	24-Mar-20	\$1.0364	LOW
	06-Mar-20	\$1.1298	HIGH
2nd	7-Apr-20	\$1.0374	LOW
	29-Jun-20	\$1.0708	HIGH
3rd	1-Jul-20	\$1.0697	LOW
	7-Aug-20	\$1.0998	HIGH
4th	3-Nov-20	\$1.0853	LOW
	15-Oct-20	\$1.0941	HIGH

AS OF DECEMBER 31, 2019

The Fund's total net assets increased over the three comparative years as a result of client subscriptions.

With BIMi's strategy to offer the Fund aggressively through its expanding distribution channels and to actively manage the Fund's assets, the performance will improve and AUM will grow. Hence, there is no known event that may affect the continuity of operation of the Fund.

The table below summarizes the accounts with material movements (+/-5%) and their corresponding explanations:

Accounts	2019	2018	Change	
	In Philippine Pesos	In Philippine Pesos	In Philippine Pesos	In %
Financial assets at fair value through profit or loss	101,729,310	99,350,646	2,378,664	2.39%
Accounts payable and accrued expenses	4,765,310	4,051,447	713,863	17.62%
Due to fund manager	156,513	429,736	-273,223	-63.58%
Retained earnings	39,719,441	33,572,805	6,146,636	18.31%
Income from financial assets at fair value through profit and loss, net	10,488,429	208,833	10,279,596	4922.40%
Interest income	97,184	81,788	15,396	18.82%
Foreign exchange gains, net	10,719	788	9,931	1260.28%

Financial assets at fair value through profit or loss – The movement is attributable to the increase in corporate bonds and government securities.

Accounts payable and accrued expenses - The movement is attributable to the increase of payable for fund accounting services, registry and transfer agency fees and legal and audit fees. As well as increase in taxes payable and payable to investors due to redemptions.

Due to fund manager – The movement is due to settlement of management fees and transfer agency fees from previous year.

Retained earnings – The movement is attributable to the net income for the year 2019 as compared with the previous year.

Income from financial assets at fair value through profit and loss, net – The increase is attributable to the movement of net unrealized fair value gains compared with the previous year.

Interest income – The movement is due to increase of earned interest of cash in banks at prevailing bank deposit rates.

Foreign exchange gains/losses, net – The movement is characterized by increase in foreign exchange rates.

Top Five Key Performance Indicators

- Asset Under Management – For the years ended December 31, 2019 and 2018, PMIFI had AUM value of \$2.3 million or Php 121 million and US\$2.2 million or Php115.4million, respectively.
- Net Asset Value Performance

NAVPS per quarter for the year 2019:

QUARTER	DATE	NAVPS	
1st	09-Jan-2019	\$1.0366	LOW
	28-Mar-2019	\$1.0672	HIGH
2nd	17-Apr-2019	\$1.0587	LOW
	26-Jun-2019	\$1.0894	HIGH
3rd	10-Jul-2019	\$1.0853	LOW
	05-Sep-2019	\$1.1085	HIGH
4th	13-Nov-2019	\$1.0899	LOW
	07-Oct-2019	\$1.1062	HIGH

NAVPS per quarter for the year 2018:

QUARTER	DATE	NAVPS	
1st	21-Mar-18	\$1.0444	LOW
	3-Jan-18	\$1.0749	HIGH
2nd	27-Jun-18	\$1.01	LOW
	3-Apr-18	\$1.049	HIGH
3rd	6-Sep-18	\$0.9769	LOW
	23-Aug-18	\$1.0398	HIGH
4th	26-Dec-18	\$0.9275	LOW
	28-Dec-18	\$1.035	HIGH

- c. Sales & Redemptions – PMIFI's net redemptions totaled Php0.95million for the year ended December 31, 2019.
- d. Fund Performance Against Competition – The table below summarizes the comparison of PMIFI's performance against its competitors:

Fund Name	NET SALES	TOTAL SALES	TOTAL REDEMPTIONS
	(in Php)	(in Php)	(in Php)
ALFM Dollar Bond Fund, Inc.	-23,910,707	2,087,388,948	2,111,299,655
ATRAM Total Return Dollar Bond Fund, Inc.	82,123,275	485,643,107	403,519,832
First Metro Save and Learn Dollar Bond Fund, Inc.	1,338,908	1,654,766	315,858
Grepalife Dollar Bond Fund Corp.	-460,762,354	67,736,500	528,498,854
PAMI Global Bond Fund Phils., Inc.	-947,959	0	947,959
Philam Dollar Bond Fund, Inc.	-247,107,838	133,471,169	380,579,007
Philequity Dollar Income Fund, Inc.	1,191,480	3,375,458	2,183,979
Sun Life Prosperity Dollar Abundance Fund, Inc.	5,900,891	74,542,711	68,641,820

- e. Fund Manager's Market Outlook:

Trade Talks Turn Positive. The month began with some pessimism on trade talks, as US President Trump said that he could wait another year before striking deal with China and could increase tariffs if an agreement can't be reached, striking fear into markets. However, a conflicting report said that the US and China were edging closer to a partial trade deal despite some early tensions, and that the US may remove a scheduled tariff hike on Chinese imports on December 15. Eventually, Trump signed off on the terms of a phase-one trade deal, reaching an agreement in principle with China. As the month went on, risk-assets continued to rally as the US suspended its plans for new tariffs and reduced existing ones, while China pledged to increase purchases of American agricultural products and made new commitments on intellectual property protections. Markets now await for the formal signing of the phase-one trade deal, which is scheduled to happen on January 15, 2020. (Source: Bloomberg)

Generally Strong US Data. The month began with an upbeat payroll report, as the US added 266k jobs versus the previous month's 128k figure and 180k estimates, which was the biggest monthly gain since January. The unemployment rate fell to 3.5%, a 50-year low, while average hourly earnings increased by 3.1%, year on year. Consumer sentiment was strong, with University of Michigan's print at 99.3. Housing data beat analyst's forecasts, and GDP for the third quarter was at 2.1%, in line with estimates. Personal income and spending were in line with expectations at 0.5% and 0.4%, respectively.

Industrial production rose by 1.1%, faster than the 0.9% estimates. CPI for November printed at 2.1% year on year, faster than the expected 2.0%, while the Fed's preferred inflation gauge, the PCE core deflator, beat its 1.5% estimates as well at 1.6%. (Source: Bloomberg)

Fed Stands Pat. After three earlier cuts, the Fed kept its policy rates steady in its December 13 FOMC meeting, sending a largely dovish message to markets. In his press conference, Fed Chair Powell said that the current interest rate is "appropriate" to sustain the US economic expansion, and that the US economy and monetary policy were in a good place. The dot plot showed that 13 officials predicted no change in rates for 2020, while only four of the committee's hawks seeing a 25-bp increase next year. This signals that rates will remain unchanged in 2020 amid a solid economy, but they do predict higher rates the following year. Powell stated that it would take an increase in inflation before the Fed would contemplate any rate hikes. (Source: Bloomberg)

Commentary

The positive sentiment surrounding the trade talks between the US and China sent US Treasury yields higher and helped risk-assets rally, with US stocks reaching new highs. Strong US data gave room for the Fed to keep interest rates unchanged in its December FOMC meeting, which also buoyed risk sentiment and Treasury yields. Month on month, the US Treasury yield curve steepened, in line with the risk-on sentiment. The 2-yr yield fell by

4 bps to close at 1.57%, while the 5-, 10- and 30-yr yields rose by 6, 14 and 18 bps to end the year at 1.69%, 1.92% and 2.39%, respectively. On the other hand, ROP yields were little changed, except for the 5-yr ROP, which fell by 9 bps month on month to close at 2.12%. This led the ROPs to generally tighten against its US counterparts, as risk assets rallied strongly to close the year. The 2-yr ROP rose by 4 bps to 1.91%, while the 10- and 25-yr ROPs ended the month lower by 2-3 bps each to 2.43%, and 2.86%, respectively. As we approach 2020, the signing of the phase-one trade deal will be the highlight of January, while fresh economic and geopolitical developments will continue to affect market sentiment.

Liquidity

There are no demands, commitments, events or uncertainties which will impair the liquidity of the fund. The Fund is mandated by SEC, through Investment Company Act, to maintain at least 10% of its net assets to be invested at liquid assets (ICA Rule 35 – 1 p. d4). But since the Fund has a contingency liquidity plan, the liquid assets can be at a minimum of 5% of the Net Asset Value.

There are no events that triggered direct or contingent financial obligation that is material to the Fund.

Material Transactions

There are no material off-balance sheet transactions, arrangements, obligations and other relationships of the Fund with unconsolidated entities or other persons. There are no material commitments for capital expenditures. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. PMIFI knows no events that will cause a material change in the relationship between costs and revenues. Also, there are no seasonal aspects that had a material effect on the financial condition or financial performance other than below statement.

The Fund, being subjected to mark-to-market valuation, depends significantly on the market value fluctuations of financial assets at fair value through profit or loss being held by it.

Recent Sales of Unregistered or Exempt Securities including Recent Issuances of Securities Constituting and Exempt Transactions - NONE

External Audit Fees

The following are the aggregate fees billed by the external auditors for each of the last two calendar years (in Php):

Year	Total
2019	Php132,376
2020	Php161,792

Note:

No tax fees were paid since there were no professional services rendered by Isla Lipana for tax accounting compliance, advice, planning and any other form of tax service.

Similarly, no other fees were paid for products and services provided by Isla Lipana other than the regular annual audit report.

The following are the PMIF Audit Committee's approval policies & procedures for the external auditor:

- Recommend to the Board the selection of the external auditor, who will be accountable to the Board and to the Audit Committee as representatives of the shareholders. The Board and the Audit Committee will consider the external auditor's independence, effectiveness, and the approval of the fees and other compensation to be paid to the external auditor. The Audit Committee should review and discuss with the accountants on an annual basis all significant relationships the accountants have with PMIF to determine the accountants' independence.
- Review the performance of the external auditor and approve any proposed discharge of the external auditor when circumstances warrant.
- Periodically consult with the external auditor regarding internal controls and the fullness and accuracy of PMIF's financial statements.
- The Audit Committee will actively engage the external auditor in dialogues regarding independence.
- Adhere to the following procedures for the approval of services by the external auditor:
 - The Audit Committee will annually approve the scope of, and fees payable for, the year-end audit to be performed by PMIF's external auditor for the next calendar year.
 - PMIF may not engage the external auditor for any services unless they are approved by the Audit Committee in advance of the engagement.

- If PMIF wishes to engage the external auditor for any services, PMIF will define and present to the Audit Committee specific projects and categories of the services to be provided, and fee estimates, for which the advance approval of the Audit Committee is required. The Audit Committee will review these requests and determine whether to pre-approve the engagement of the external auditor for the specific projects and categories of service.
- PMIF will report to the Audit Committee regarding the actual spending for these projects and services, compared to the approved amounts on a quarterly basis.
- The Audit Committee Chairperson will report to the Audit Committee at each regularly scheduled meeting the nature and amount of any non-audit services that he has approved.

Corporate Governance

The evaluation system adopted by PMIF to determine the level of compliance of the Board and top level management with its Manual of Corporate Governance is based primarily on the SEC Corporate Governance Self-Rating Form (CG-SRF).

PMIF has undertaken the following measures to fully comply with the adopted leading practices on good corporate governance:

- Consider changes, improvements, or additions to current corporate disclosure procedures
- Implement processes for identifying items where timely corporate disclosure is necessary

Except for the required changes mandated by SEC, PMIF has no material deviations from its Manual of Corporate Governance since it filed its CG-SRF with the SEC.

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

Other Disclosures

- There were no disagreements with the former accountant, on any matter of accounting any financial disclosure.
- There were no known trends, events or uncertainties with material impact on liquidity and sales. Neither were there events that would trigger direct or contingent financial obligations that are material to the Fund, including any default or acceleration of an obligation.
- There were no material off-balance sheet transactions, arrangements or obligations (including contingent obligations) and other relationships of the Fund with unconsolidated entities or other persons created during the reporting period.
- There were no material commitments for capital expenditures. The realized and unrealized gains on stock and fixed income investments brought by market appreciation represent the significant element of income from continuing operations.

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	5	1	7	0	0	3
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COMPANY NAME

P	H	I	L	A	M		M	A	N	A	G	E	D		I	N	C	O	M	E		F	U	N	D	,			
I	N	C	.																										

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

1	7	F		P	H	I	L	A	M		L	I	F	E		H	E	A	D		O	F	F	I	C	E	,			
N	E	T		L	I	M	A		B	U	I	L	D	I	N	G	,		5	T	H		A	V	E	N	U	E		
C	O	R	N	E	R		2	6	T	H		S	T	.			B	O	N	I	F	A	C	I	O					
G	L	O	B	A	L		C	I	T	Y	,		T	A	G	U	I	G												

Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, if Applicable

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COMPANY INFORMATION

Company's Email Address

Company's Telephone Number/s

8580-0900

Mobile Number

N/A

No. of Stockholders

Annual Meeting (Month/Day)

Fiscal Year (Month/Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Dante M. Delos Santos

Email Address

dmdelosantos@bpi.com.ph

Telephone Number/s

8580-0900

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

19/F BPI Buendia Center Building, Sen. Gil Puyat Avenue, Brgy. Bel-Air, Makati City 1209, Philippines

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.

***Philam Managed
Income Fund, Inc.***
(An Open-End Mutual Fund
Company)

Financial Statements

**As at December 31, 2020 and 2019 and for each of the
three years in the period ended December 31, 2020**

Independent Auditor's Report

To the Board of Directors and Shareholders of
Philam Managed Income Fund, Inc.
(An Open-End Mutual Fund Company)
17F Philam Life Head Office, Net Lima Building
5th Avenue corner 26th St. Bonifacio Global City
Taguig 1634, Philippines

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Philam Managed Income Fund, Inc. (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 (PFRS).

What we have audited

The financial statements of the Fund comprise:

- the statements of financial position as at December 31, 2020 and 2019;
- the statements of total comprehensive income for each of the three years in the period ended December 31, 2020;
- the statements of changes in equity for each of the three years in the period ended December 31, 2020;
- the statements of cash flows for each of the three years in the period ended December 31, 2020; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, www.pwc.com/ph



Independent Auditor's Report
To the Board of Directors and Shareholders of
Philam Managed Income Fund, Inc.
(An Open-End Mutual Fund Company)
Page 2

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A are expected to be made available to us after the date of this auditor's report.

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

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

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 PFRS, 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 PSA 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.

Independent Auditor's Report
To the Board of Directors and Shareholders of
Philam Managed Income Fund, Inc.
(An Open-End Mutual Fund Company)
Page 3

As part of an audit in accordance with PSA, 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.

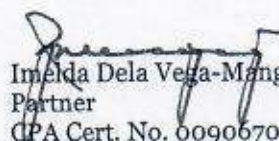
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report
To the Board of Directors and Shareholders of
Philam Managed Income Fund, Inc.
(An Open-End Mutual Fund Company)
Page 4

Report on the Bureau of Internal Revenue Requirement

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

Isla Lipana & Co.



Imelda Dela Vega-Mangundaya

Partner

CPA Cert. No. 0090670

PTR No. 0024586, issued on January 5, 2021, Makati City

SEC A.N. (individual) as general auditors 90670-SEC, Category A, valid to audit 2019 to 2023
financial statements

SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024
financial statements

TIN 152-015-124

BIR A.N. 08-000745-047-2018, issued on December 10, 2018; effective until December 9, 2021

BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
May 17, 2021

Statements Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Philam Managed Income Fund, Inc.
(An Open-End Mutual Fund Company)
17F Philam Life Head Office, Net Lima Building
5th Avenue corner 26th St., Bonifacio Global City
Taguig 1634, Philippines

We have audited the financial statements of Philam Managed Income Fund, Inc. as at and for the year ended December 31, 2020, on which we have rendered the attached report dated May 17, 2021. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration, as additional component required by Part I, Section 4 of Rule 68 of the SRC, and Schedules A, B, C, D, E, F and G, as required by Part II, Section 6 of Rule 68 of the SRC, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Rule 68 of the SRC.

Isla Lipana & Co.


Imelda Dela Vega-Mangundaya
Partner
CPA Cert. No. 0090670

PTR No. 0024586, issued on January 5, 2021, Makati City
SEC A.N. (individual) as general auditors 90670-SEC, Category A, valid to audit 2019 to 2023
Financial statements

SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024
financial statements

TIN 152-015-124

BIR A.N. 08-000745-047-2018, issued on December 10, 2018; effective until December 9, 2021
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
May 17, 2021

Statement Required by Section 8-A, Revenue Regulations No. V-1

To the Board of Directors and Shareholders of
Philam Managed Income Fund, Inc.
(An Open-End Mutual Fund Company)
17F Philam Life Head Office, Net Lima Building
5th Avenue corner 26th St. Bonifacio Global City
Taguig 1634, Philippines

None of the partners of the firm has any financial interest in Philam Managed Income Fund, Inc. or any family relationships with its directors or fund manager.

The supplementary information on taxes and licenses is presented in Note 15 to the financial statements.

Isla Lipana & Co.


Imelda Dela Vega-Mangundaya
Partner

CPA Cert. No. 0090670

PTR No. 0024586, issued on January 5, 2021, Makati City

SEC A.N. (individual) as general auditors 90670-SEC, Category A, valid to audit 2019 to 2023
Financial statements

SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024
financial statements

TIN 152-015-124

BIR A.N. 08-000745-047-2018, issued on December 10, 2018; effective until December 9, 2021

BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
May 17, 2021



Philam Managed Income Fund, Inc.
(An Open-End Mutual Fund Company)

Statements of Financial Position
As at December 31, 2020 and 2019
(All amounts in thousands of Philippine Peso)

	Notes	2020	2019
ASSETS			
ASSETS			
Cash and cash equivalents	2	231,716	147,727
Financial assets at fair value through profit or loss	3	800,839	748,333
Other financial assets at amortized cost	4	188	222
Other assets		840	1,013
Total assets		1,033,583	897,295
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable and accrued expenses	5	43,238	5,169
Deposits for future subscriptions		59,929	8,817
Total liabilities		103,167	13,986
EQUITY			
Share capital	6	1,000	1,000
Share premium		56,202	60,422
Deposits for future subscriptions		757,635	757,635
Retained earnings		115,579	64,252
Total equity		930,416	883,309
Total liabilities and equity		1,033,583	897,295

(The notes on pages 1 to 26 are integral part of these financial statements)



Philam Managed Income Fund, Inc.
(An Open-End Mutual Fund Company)

Statements of Total Comprehensive Income
For each of the three years in the period ended December 31, 2020
(All amounts in thousands of Philippine Peso, except per share amounts)

	Notes	2020	2019	2018
INCOME				
Income from financial assets at fair value through profit or loss, net	3	58,747	46,605	1,568
Interest	7	5,031	3,808	16,580
		63,778	50,413	18,148
EXPENSES				
Management fees	10	2,694	1,917	1,517
Fees and other charges	8	1,462	1,163	1,053
Taxes and licenses	15	699	107	81
Other		529	293	285
		5,384	3,480	2,936
INCOME BEFORE INCOME TAX		58,394	46,933	15,212
INCOME TAX EXPENSE	9	7,067	5,777	3,854
NET INCOME FOR THE YEAR		51,327	41,156	11,358
OTHER COMPREHENSIVE INCOME		-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		51,327	41,156	11,358
BASIC AND DILUTED EARNINGS PER SHARE				
	6	0.0784	0.0371	0.0264

(The notes on pages 1 to 26 are integral part of these financial statements)



Philam Managed Income Fund, Inc.
(An Open-End Mutual Fund Company)

Statements of Changes in Equity
For each of the three years in the period ended December 31, 2020
(All amounts in thousands of Philippine Peso)

	Note	Share capital	Share premium	Deposits for future subscriptions	Retained earnings	Total
Balance at January 1, 2018		983	100,996	-	11,738	113,717
Comprehensive income						
Net income for the year		-	-	-	11,358	11,358
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	11,358	11,358
Transactions with shareholders	6					
Issuance of shares		1,621	178,906	-	-	180,527
Redemption of shares		(1,604)	(185,836)	-	-	(187,440)
Deposits for future subscriptions		-	-	538,594	-	538,594
Total transactions with shareholders		17	(6,930)	538,594	-	531,681
Balance at December 31, 2018		1,000	94,066	538,594	23,096	656,756
Comprehensive income						
Net income for the year		-	-	-	41,156	41,156
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	41,156	41,156
Transactions with shareholders	6					
Issuance of shares		2,228	235,300	-	-	237,528
Redemption of shares		(2,228)	(268,944)	-	-	(271,172)
Deposits for future subscriptions		-	-	219,041	-	219,041
Total transactions with shareholders		-	(33,644)	219,041	-	185,397
Balance at December 31, 2019		1,000	60,422	757,635	64,252	883,309
Comprehensive income						
Net income for the year		-	-	-	51,327	51,327
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	51,327	51,327
Transactions with shareholders	6					
Issuance of shares		3,782	480,038	-	-	483,820
Redemption of shares		(3,782)	(484,258)	-	-	(488,040)
Total transactions with shareholders		-	(4,220)	-	-	(4,220)
Balance at December 31, 2020		1,000	56,202	757,635	115,579	930,416

(The notes on pages 1 to 26 are integral part of these financial statements)



Philam Managed Income Fund, Inc.
(An Open-End Mutual Fund Company)

Statements of Cash Flows
For each of the three years in the period ended December 31, 2020
(All amounts in thousands of Philippine Peso)

	Notes	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		58,394	46,933	15,212
Adjustment for:				
Income from financial assets at fair value through profit or loss, net	3	(58,747)	(46,605)	(1,568)
Interest income	7	(5,031)	(3,808)	(16,580)
Operating loss before changes in operating assets and liabilities		(5,384)	(3,480)	(2,936)
Changes in operating assets and liabilities: (Increase) decrease in:				
Financial assets at fair value through profit or loss	3	(29,974)	(359,829)	(217,058)
Other assets		173	(634)	360
Investment securities at amortized cost		-	-	(51,455)
Other financial assets at amortized cost		-	-	(1,064)
Increase in accounts payable and accrued expenses		38,069	1,244	643
Net cash generated by (used in) operations		2,884	(362,699)	(271,510)
Interest received		41,280	21,561	18,784
Income taxes paid		(7,067)	(5,777)	(3,854)
Net cash generated by (used in) operating activities		37,097	(346,915)	(256,580)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	6	483,820	237,528	180,527
Payments for shares redeemed	6	(488,040)	(271,172)	(187,440)
Proceeds from deposit for future subscription	6	51,112	227,858	538,594
Net cash from financing activities		46,892	194,214	531,681
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		83,989	(152,701)	275,101
CASH AND CASH EQUIVALENTS				
January 1		147,727	300,428	25,327
December 31	2	231,716	147,727	300,428

(The notes on pages 1 to 26 are integral part of these financial statements)



Philam Managed Income Fund, Inc.

(An Open-End Mutual Fund Company)

Notes to the Financial Statements

As at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020
(All amounts are shown in thousands of Philippine Peso, unless otherwise stated)

1 General information

Philam Managed Income Fund, Inc. (the "Fund") is an open-end mutual fund company engaged in the sale of its shares of stock, the proceeds of which are invested in fixed income investments. It was registered on February 27, 2006 with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1960 or Republic Act 2629 and The Revised Securities Act or Batas Pambansa Blg. 178. As an open-end mutual fund company, its outstanding shares are redeemable anytime at the holder's option based on the net asset value (NAV) per share at the time of redemption.

The Fund is registered as an issuer of securities with the SEC under Section 12 of the Securities Regulation Code (SRC). The Fund's track record of securities registration is shown in Note 6.

The Fund's registered office address, which is also its principal place of business, is located at 17F Philam Life Head Office, Net Lima Building, 5th Avenue corner 26th St., Bonifacio Global City, Taguig 1634, Philippines.

The Fund has no employees.

Effective January 29, 2020, Philam Asset Management, Inc. (PAMI), a wholly-owned subsidiary of The Philippine American Life and General Insurance Company (Philam Life) assigned all its rights, interests, and obligations as fund manager, advisor, distributor, and transfer agent of the Fund to BPI Investment Management, Inc. (BIMI), a wholly-owned subsidiary of Bank of the Philippine Islands (BPI). Henceforth, the management, distribution and transfer agency functions are performed by BIMI over the Fund. Services, contracts and agreements are in force with BIMI at effective date.

Coronavirus pandemic

The pandemic which broke out in March 2020 forced governments all over the world, including the Philippines, to implement community lockdowns and quarantines to mitigate the spread of the virus. Unfortunately, these lockdowns caused the demands for goods and services to plummet which ultimately led to the contraction of both global and domestic economies.

In response to the growing number of COVID-19 cases in the country, Republic Act (RA) No. 11469, otherwise known as "Bayanihan to Heal as One Act" and Republic Act (RA) No. 11494, otherwise known as "Bayanihan to Recover as One Act" (or collectively the "Bayanihan Acts") were enacted in March 2020 which granted the President of the Republic of the Philippines additional powers to combat the pandemic and aid certain vulnerable sectors of the economy.

Overall, the COVID-19 pandemic did not have a significant impact on the Fund's results of operations, financial position, and cash flows as at and for the year ended December 31, 2020, including its ability to continue on as a going concern in the next 12 months after reporting date. While the pandemic still poses some risk and uncertainties, the Fund, however, remains confident on its ability to absorb some conceivable financial shocks that may arise due to volatile economic conditions.

At reporting date, the pandemic remains the topmost concern of the government and businesses alike. The Philippine economy is gradually opening with the imposition of less stringent community quarantine protocols. Likewise, the vaccination program of the government is expected to commence in 2021 which is hoped to slow down the spread of the virus and boost confidence among businesses and consumers.

The financial statements have been approved and authorized for issue by the Board of Directors on May 14, 2021. There are no material subsequent events occurred from May 14, 2021 up to May 17, 2021, the audit report date.

2 Cash and cash equivalents

The account at December 31 consists of:

	2020	2019	2018
Cash in banks	53,510	5,225	3,627
Short term deposits	178,206	142,502	296,801
	231,716	147,727	300,428

Cash in banks earn interest at prevailing bank deposit rates.

Short term deposits in 2020 have average maturities of 32 days (2019 - 22 days; 2018 - 32 days) and carry effective interest rates ranging from 0.5% to 1.75% (2019 - 2.5% to 4%; 2018 - 6.25% to 7%).

Interest earned from cash and cash equivalents is disclosed in Note 7.

Cash and cash equivalents as at December 31, 2020, 2019 and 2018 are all classified as current.

3 Financial assets at fair value through profit or loss

The account at December 31 consists of:

	2020	2019
Government securities	343,403	634,725
Corporate securities	399,578	107,690
Unit investment trust funds	57,858	5,918
	800,839	748,333

Government securities and corporate bonds as at December 31, 2020 have average terms of 0.4 to 4.62 years and 0.03 to 4.32 years (2019 - 0.28 to 11.52 years and 0.18 to 5.31 years) and carry effective interest rates of 2.63% to 15.00% and 2.5% to 6.8% (2019 - 3.50% to 15.00% and 4.51% to 7.06%), respectively.

Movements in financial assets at fair value through profit or loss (FVTPL) are summarized as follows:

	2020	2019
At January 1	748,333	236,676
Reclassification from investment securities at amortized cost	-	120,444
Additions	2,341,115	751,289
Disposals	(2,305,462)	(390,605)
Fair value gains, net	18,987	21,615
Other movements	(2,134)	8,914
At December 31	800,839	748,333

In 2019, the Fund updated its assessment of the contractual cash flow characteristics and business model under current circumstances and concluded to re-classify its financial assets at amortized cost to fair value through profit or loss consistent with PFRS 9 requirement. Moreover, the current business model is consistent with Global Investment Performance Standards (GIPS). GIPS is ethics-based and standardized guidelines that ensure fair representation and full disclosure in reporting investment performance. Among the key requirements for adoption is to value financial assets at fair value. At January 1, 2019, the total amount of investment securities at amortized cost amounting to P120,444 is reclassified to financial assets at fair value through profit or loss which resulted to a P3 fair value gain.

The composition of income from financial assets at FVTPL, net for the year ended December 31 are as follows:

	2020	2019
Interest income on financial assets at FVTPL	39,760	24,990
Other changes on financial assets at FVTPL		
Net realized fair value gains	16,845	7,121
Unrealized fair value gains	2,142	14,494
	58,747	46,605

Financial assets at FVTPL are considered held for trading and classified as current assets.

4 Other financial assets at amortized cost

The account at December 31, 2020 consists of accrued interest from term deposits amounting to P188 (2019 - P222).

Other financial assets at amortized cost as at December 31, 2020 and 2019 are expected to be collected in the next 12 months and classified as current assets.

5 Accounts payable and accrued expenses

The account at December 31 consists of:

	2020	2019
Accounts payable	42,671	4,739
Accrued expenses	567	430
	43,238	5,169

Accounts payable include withholding taxes, documentary stamp tax payable, other payables and payable to investors due to redemptions that have been contracted for but not yet settled as at reporting date.

Accrued expenses mainly represent accruals for transfer charges, legal fees, marketing and administration fees.

As at December 31, 2020 and 2019, the Fund's accounts payable and accrued expenses are expected to be paid in the next 12 months and classified as current liabilities.

6 Net assets attributable to shareholders

On April 5, 2018, the BOD approved an increase in the Fund's authorized capital from 100,000,000 shares to 702,876,600 shares at P0.01 par value, increasing the authorized capital from P1,000,000 to P7,028,766. On December 18, 2018, an application for an increase in authorized capital stock was filed with the SEC. On various dates in 2018, the Fund received cash from certain investors as deposits for future stock subscriptions for 455,701,700 shares amounting to P538,594 which was presented as part of equity as at December 31, 2018 in accordance with the guidelines set by the SEC.

In 2019, the Fund received cash from certain investors as deposits for future subscriptions amounting to P227,858, for 154,190,712 shares. The amount of P219,041 for 147,174,900 shares of these deposits for future subscriptions had been taken up as part of equity in accordance with the guidelines set by the SEC. The remaining amount of P8,817 for 7,015,812 shares was presented as part of liabilities, pending the filing of the additional increase in authorized capital stock with the SEC as of December 31, 2019.

The application for the increase in authorized share capital is still awaiting approval of the SEC as at December 31, 2020 and 2019.

In 2020, the Fund received cash from certain investors as deposit for future subscription amounting to P51,112 for 39,655,947 shares was presented as part of liabilities, pending the filing of additional increased in authorized capital stock with the SEC. The total deposit for future subscription that is presented as part of liabilities as of December 31, 2020 amounts to P59,929 (2019 - P8,817).

The details of the net assets attributable to shareholders at December 31 are as follows:

	2020	2019	2018
Share capital - P0.01 par value			
Authorized - 100,000,000 shares			
Issued and outstanding	1,000	1,000	1,000
Share premium	56,202	60,422	94,066
Deposit for future subscriptions	757,635	757,635	538,594
Retained earnings	115,579	64,252	23,096
	930,416	883,309	656,756

The movements in the number of issued and outstanding shares are as follows (in absolute number of shares):

	2020	2019	2018
Issued and outstanding, January 1	100,000,000	100,000,000	98,254,910
Issuances of shares	378,246,108	222,771,872	162,175,357
Redemptions of shares	(378,246,108)	(222,771,872)	(160,430,267)
Issued and outstanding, December 31	100,000,000	100,000,000	100,000,000

The movements in the amount of issued and outstanding shares follow:

	2020		2019		2018	
	Share capital	Share premium	Share capital	Share premium	Share capital	Share premium
At January 1	1,000	60,422	1,000	94,066	983	100,996
Issuance of shares	3,782	480,038	2,228	235,300	1,621	178,906
Redemptions of shares	(3,782)	(484,258)	(2,228)	(268,944)	(1,604)	(185,836)
At December 31	1,000	56,202	1,000	60,422	1,000	94,066

As at December 31, 2020, the Fund has 593 shareholders (2019 - 2,081 shareholders).

The Fund computes its NAV per share by dividing the net assets attributable to shareholders, including deposits for future subscriptions classified as liability, if any, as at reporting date by the number of issued and outstanding shares during the year, including shares for issuances covered by deposits for future subscriptions (DFFS). The total equity as shown in the statement of financial position represents the Fund's NAV based on Philippine Financial Reporting Standards (PFRS NAV).

Issue or offer price is equivalent to the NAV per share at the time of issuance.

A reconciliation of the Fund's Trading NAV to PFRS NAV is provided below:

	2020	2019	2018
Trading NAV	990,345	892,126	656,756
DFFS	(59,929)	(8,817)	-
PFRS NAV	930,416	883,309	656,756

NAV per share as at December 31 is as follows:

	2020	2019	2018
Net assets attributable to shareholders	990,345	892,126	656,756
Number of shares outstanding, including shares for DFFS (in thousands)	749,548	709,892	555,702
NAV per share	1.3213	1.2567	1.1818

As disclosed in Note 1, the Fund is an open-end investment company which stands ready at any time to redeem its outstanding shares at a value defined under its prospectus. Any changes in the value of the shareholders' investment are reflected in the increase or decrease in the Fund's NAV.

The Fund's retained earnings may exceed 100% of its paid-up capital from time to time. This, however, is not construed as a compelling factor for the Fund to declare dividends considering the nature of the Fund's business. Such retained earnings may be used for reinvestment and will be converted into realized profits by the shareholders upon redemption of their shareholdings in the Fund.

Earnings per share for the years ended December 31 are computed as follows:

	2020	2019	2018
Net income for the year	51,327	41,156	11,358
Weighted average number of shares outstanding during the year (in thousands)	654,987	1,110,376	430,519
Earnings per share	0.0784	0.0371	0.0264

In compliance with the SRC, the Fund is required to file registration statement for each instance of increase in authorized shares. The table below shows the Fund's track record of registration of securities under the SRC (in absolute amounts).

SEC approval date	Number of shares	Par value
February 27, 2006	100,000,000	P0.01

7 Interest income

The details of the account for the years ended December 31 are as follows:

	2020	2019	2018
Cash and cash equivalents	5,031	3,808	12,043
Investment securities at amortized cost	-	-	4,537
	5,031	3,808	16,580

8 Fees and other charges

The details of the account for the years ended December 31 are as follows:

Notes	2020	2019	2018
Professional fees	456	457	457
Registry and transfer fees	513	342	271
Administration fees	282	188	149
Directors' fees	153	153	153
Fees to custodian bank	58	23	23
	1,462	1,163	1,053

Professional fees pertain to amounts paid to third party service providers.

Registry and transfer charges pertain to the fees paid to the transfer agent for the record keeping of individual shareholdings and the issuance and cancellation of stock certificates.

Administration fees are the amounts paid to the Fund's accountant for services rendered which include, among others, the preparation and maintenance of books of accounts and computation of NAV.

9 Income tax

Income tax expense mainly represents final tax withheld on interest earned from cash and cash equivalents and fixed-income securities.

Details of the Fund's net operating loss carry over (NOLCO) which is available for offset against future taxable income follow:

Year of incurrence	Year of expiration	2020	2019	2018
2020	2023	5,067	-	-
2019	2022	3,502	3,502	-
2018	2021	72	72	72
2017	2020	162	162	162
2016	2019	-	1,131	1,131
		8,803	4,867	1,365
Expired NOLCO		(162)	(1,131)	(678)
Utilized NOLCO		-	-	(453)
		8,641	3,736	234
Income tax rate		30%	30%	30%
Unrecognized deferred income tax asset		2,592	1,121	70

Deferred income tax asset from NOLCO has not been recognized because the Fund believes that there is limited capacity to generate sufficient taxable profit against which the benefit from NOLCO can be utilized.

The reconciliation of the income tax expense computed at statutory income tax rate to effective income tax expense follows:

	2020	2019	2018
Income tax at statutory tax rate of 30%	30.00%	30.00%	30.00%
Adjustments for tax effects of:			
Income subject to other tax rates	(7.99%)	(6.10%)	(7.60%)
Income exempt from tax	(12.51%)	(13.83%)	3.82%
Unrecognized NOLCO	2.60%	2.24%	-
Utilization of NOLCO	-	-	(0.88%)
Effective income tax expense	12.10%	12.31%	25.34%

10 Related party transactions

The Fund has a management and distribution agreement with PAMI, whereby the latter is appointed as the Fund's investment advisor and manager. PAMI also functions as the principal distributor of the Fund. As such, it takes charge of the sales of the Fund's shares to prospective investors. Under this arrangement, PAMI pays certain expenses on behalf of the Fund. The Fund has also entered into a registry and transfer agency agreement with PAMI.

Effective January 29, 2020, PAMI assigned all its rights, interests, and obligations as fund manager, advisor, distributor, and transfer agent of the Fund to BIML. Hence, on effective date, the management, distribution, and transfer agency functions are performed by BIML over the Fund.

The table below summarizes the Fund's transactions and balances with its fund manager.

	Transactions (Charges to profit or loss)	Outstanding balance (Due to fund manager)	Outstanding balance's terms and conditions
Management fees			
December 31, 2020	2,694	181	<ul style="list-style-type: none">- Management fee is computed as one-forty eighth (1/48) of one percent (1%) of the average NAV of the Fund per year determined on a daily basis- Outstanding balance is unguaranteed, unsecured and non-interest bearing; settled in cash at gross amount within the following month
December 31, 2019	1,917	175	
December 31, 2018	1,517	175	
Registry and transfer fees			
December 31, 2020	513	-	<ul style="list-style-type: none">- Registry and transfer fee is computed as one-twentieth (1/20) of one percent (1%) of the NAV per year determined on a daily basis- Outstanding balance is unguaranteed, unsecured and non-interest bearing; settled in cash at gross amount within the following month
December 31, 2019	342	35	
December 31, 2018	271	28	

11 Fund accounting services

On July 1, 2008, the Fund and Deutsche Bank entered into a fund accounting agreement wherein Deutsche Bank shall perform administrative functions, which include, among others, the preparation and maintenance of books of accounts and computation of NAV. As compensation for services rendered, Deutsche Bank shall be entitled to an administration fee equivalent to 0.0275% per annum based on the NAV of the Fund.

Administration fees for the year ended December 31, 2020 amount to P282 (2019 - P188; 2018 - P149) and is included under Fees and other charges in the statement of total comprehensive income (Note 8). As at December 31, 2020, administration fees payable to Deutsche Bank included in Accounts payable and accrued expenses amount to P70 (2019 - P37) (Note 5).

12 Critical accounting estimate and judgments

Estimates, assumptions and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The accounting estimate and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

12.1 Critical accounting judgments

Recognition of deferred income tax asset (Note 9)

Deferred income tax asset from NOLCO has not been recognized because the Fund believes that there is limited capacity to generate sufficient taxable profit against which the benefit from NOLCO can be utilized. The Fund assesses the unrecognized deferred income tax asset and will recognize a previously unrecognized deferred income tax asset to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

Classification of financial assets (Notes 2, 3 and 4)

The Fund follows the guidance of PFRS 9 in classifying financial assets at initial recognition whether it will be subsequently measured at fair value through other comprehensive income, at amortized cost, or at fair value through profit or loss. The Fund determines the classification based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets. The Fund determines whether the contractual cash flows associated with the financial asset are solely payments of principal and interest (SPPI). If the instrument fails the SPPI test, it will be measured at fair value through profit or loss.

12.2 Critical accounting estimate

Estimation of expected credit loss for financial assets

The measurement of expected credit loss (ECL) for the Fund's financial assets at amortized cost is an area that requires the use of significant assumptions about future economic conditions and credit behavior (e.g., impact of unemployment rates on the credit risk of a counterparty and the likelihood of counterparties defaulting).

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each portfolio and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

The details on the credit quality of the Fund's financial assets are detailed in Note 13.6.

13 Capital and financial risk management

13.1 Governance framework

The primary objective of the Fund's financial risk management framework is to protect the Fund from events that hinder the sustainable achievement of the Fund's performance objectives, including failing to exploit opportunities. The Fund recognizes the critical importance of having efficient and effective risk management systems in place.

The BOD has approved the Fund's risk management policies and meets regularly to approve on any commercial, regulatory and own organizational requirements in such policies. The policies define the Fund's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of investment strategy to the corporate goals and specific reporting requirements.

13.2 Capital management

The Fund's objectives for managing capital are: (a) to invest the capital in investments meeting the description and risk exposure indicated in its prospectus; (b) to achieve consistent returns while safeguarding capital; and (c) to maintain sufficient liquidity to meet the expenses of the Fund and to meet redemption requests as they arise.

As provided by the Investment Company Act of 1960, the minimum required capitalization for funds amounts to P50 million. The Fund's capitalization is more than the requirement of the SEC.

The Fund considers the net assets attributable to shareholders as its capital (or total equity as shown in the statement of financial position). As at December 31, 2020, the net assets attributable to shareholders amount to P930,416 (2019 - P883,309).

13.3 Regulatory framework

The operations of the Fund are also subject to the regulatory requirements of the SEC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions. Unless ordered otherwise by the SEC, the Fund shall not sell securities short or invest in any of the following:

- a. margin purchase of securities (investments in partially paid shares are excluded);
- b. commodity future contracts;
- c. precious metals;
- d. unlimited liability investments;
- e. short selling of currencies;
- f. short selling of investments; and
- g. other investments as the SEC shall, from time to time, prescribe.

Any changes in the Fund's investment objective should be with notice and prior approval of the SEC. An investment company shall not change its investment objective without the approval from the majority of the Fund's shareholders.

In addition, the SEC also provides maximum limits on exposure to counterparties, maintenance of a certain level of liquid assets and conditions for incurring borrowings (Note 13.6 - Credit risk).

The Fund is fully compliant with the above regulatory requirements as at December 31, 2020 and 2019.

13.4 Fair value of financial instruments

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 Fund ranks its financial instruments based on the hierarchy of valuation techniques required by PFRSs, which is determined based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Fund's market assumptions. These two types of inputs lead to the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Fund considers relevant and observable market prices in its valuations where possible.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset.

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from the exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

Financial instruments classified within Level 3 have significant unobservable inputs, as they trade infrequently.

The table below sets forth the fair values of the following financial assets as at December 31:

2020	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	-	800,839	-	800,839
2019	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	-	748,333	-	748,333

The fair values of investments in fixed-income securities and unit investment trust funds under financial assets at FVTPL are all classified under Level 2.

Any changes in the Fund's investment objective should be with notice and prior approval of the SEC. An investment company shall not change its investment objective without the approval from the majority of the Fund's shareholders.

In addition, the SEC also provides maximum limits on exposure to counterparties, maintenance of a certain level of liquid assets and conditions for incurring borrowings (Note 13.6).

The Fund has no financial assets that fall under the Level 1 and 3 categories. There are no other assets or liabilities that are subsequently measured at fair value or that would require disclosure of fair value hierarchy.

13.5 Offsetting financial assets and liabilities

As at December 31, 2020, due from and to fund manager is subject to offsetting. The gross amount of due from fund manager amounts to P419 (2019 - P313) while the gross amount of due to fund manager set off in the statement of financial position amounts to P182 (2019 - P210). The net amount presented as part of other assets in the statement of financial position is P237 (2019 - P103).

13.6 Financial risk

The Fund may invest in SEC-registered debt papers or other certificate of indebtedness/obligations, issuers of whom had been determined as financially sound and approved by the Investment Committee of the fund manager. The Fund does not plan to invest in foreign securities. However, SEC allows mutual fund companies to invest up to one hundred percent (100%) of its net assets in foreign securities subject to safety nets and standards set by the SEC.

The Fund is exposed to financial risk through its financial assets. The most important components are credit risk, liquidity risk and market risk. These risks arise from open positions in interest rate securities, all of which are exposed to general and specific market movements.

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.

The Fund manages the level of credit risk it accepts through setting up of exposure limits by each counterparty or group of counterparties. The maximum investment of the Fund in any single enterprise shall not exceed an amount equivalent to fifteen percent (15%) of the Fund's NAV except obligations of the Philippine government or its instrumentalities, provided that in no case shall the total investment of the Fund exceed ten percent (10%) of the outstanding securities of any one investee company. The Fund also transacts only with institutions with high credit rating or standing. The Fund has complied with these requirements as at December 31, 2020 and 2019.

In addition, the Fund manages the level of credit risk it accepts through reporting of credit risk exposures, monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment. The Fund cannot lend to individual borrowers.

The fund manager's high-grade credit process combines top down and bottom up elements reflecting the observation that the weaker the credit quality, the more security specific risk comes to dominate overall portfolio risk. The bottom up element focuses on the analysis of individual credits. The top down element focuses on the analysis of sectors. In order to manage risk, the high-grade portfolios combine diversification rules with a number of filters designed to help avoid downgrade and default candidates. Key to the Fund's credit process is the minimization of the impact from security default or downgrade.

The Fund's maximum credit risk exposure as at December 31 are summarized below:

	2020	2019
Cash and cash equivalents	231,716	147,727
Financial assets at fair value through profit or loss	800,839	748,333
Other financial assets at amortized cost	188	222
Due from fund manager	237	103
	1,032,980	896,385

As at December 31, 2020, all of the Fund's financial assets are classified as stage 1 (performing) accounts. There are no financial assets classified under stages 2 (underperforming) and stage 3 (impaired).

Cash and cash equivalents are maintained with universal banks to minimize credit risk exposure. The other financial assets consisting of investment in fixed income securities and receivables are considered by the Fund as having investment grade credit quality, wherein the counterparties are assessed to possess strong to very strong capacities to meet their obligations; thus, credit risk is assessed to be very low.

As at December 31, 2020 and 2019, there are no past due or impaired financial assets. There are no collaterals held as security and other credit enhancements attached to the loans and receivables.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligation in the near term. Loss allowance has been recognized based on 12-month expected credit losses.

Expected credit loss (ECL) measurement

PFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Fund.
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on ECL on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with PFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is measured on a lifetime basis (Stage 3).

ECL is applied to financial assets at amortized cost.

SICR

The Fund has aligned its SICR criteria with the presumption indicated within PFRS 9; that is, the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. Also, the Fund considers investment downgrade of two notches as an indicator of SICR.

Definition of default and credit-impaired assets

The Fund defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Qualitative criteria

The counterparty meets unlikeliness to pay criteria, which indicates the counterparty is in significant financial difficulty. These are instances where:

- The counterparty is in long-term forbearance;
- The counterparty is dissolved;
- The counterparty is insolvent;
- The counterparty is in breach of financial covenant(s);
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the creditor relating to the counterparty's financial difficulty;
- It is becoming probable that the counterparty will enter bankruptcy; or
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

Quantitative criteria

The Fund has applied the presumption indicated within PFRS 9 pertaining to the default definition; that is, default of a financial instrument does not occur later than when a financial asset is more than 90 days past due.

The criteria above has been applied to all financial instruments held by the Fund and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD) throughout the Fund's expected credit loss calculation.

An instrument is considered to no longer be in default (i.e. to have been cured) when it no longer meets any of the default criteria for a consecutive period of six months.

Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12M) or a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The ECL is the discounted product of the PD, EAD, and LGD, defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Fund expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- LGD represents the Fund's expectation of the extent of loss on a defaulted exposure. It is expressed as a percentage loss per unit of exposure at the time of default.

The ECL is determined by projecting the PD, EAD, and LGD for each future year and for each individual exposure or collective segment. These three components are multiplied together, and then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

ECL is applied to financial assets at amortized cost.

Forward-looking information incorporated in the ECL model

The calculation of ECL incorporates forward-looking information. The Fund has performed historical analysis and identified the key economic variables affecting credit risk and ECL for each portfolio (i.e. unemployment rate). This economic variable and its associated impact on the likelihood of default vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of this economic variable are based on the economic data from the Philippine Statistics Authority (PSA). The impact of this economic variable on the ECL model has been determined by performing statistical regression analysis to understand the impact that changes in this variable have had historically on the counterparty's default rates.

As with any economic forecast, the projections used within the ECL calculation are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Fund considers this in its credit risk management and would continue to govern these processes closely.

Liquidity risk

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

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

The Fund manages liquidity through specifying minimum proportion of funds to meet emergency calls. Unless otherwise prescribed by the SEC, at least ten percent (10%) of the Fund shall be invested in liquid/semi-liquid assets such as:

- a. Treasury notes or bills, certificates of indebtedness issued by the Bangko Sentral ng Pilipinas which are short term, and other government securities or bonds and such other evidence of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines;
- b. Tradable Long-Term Negotiable Certificate of Time Deposits (LTNCDs);
- c. Government debt securities where the issuer or the guarantor is a foreign government, sovereign or central bank with an international long-term issuer rating of investment grade;
- d. Savings or time deposits with government-owned banks or commercial banks, provided that in no case shall any such savings or time deposits accounts be accepted or allowed under a "bearer," "numbered" account or other similar arrangement;
- e. Money market instruments issued by Philippine regulated qualified buyers or those issued by an investment grade issuing body; and,
- f. Other collective schemes wholly invested in liquid/semi-liquid assets.

The Fund has complied with these requirements as at December 31, 2020 and 2019.

The Fund may 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 300% for all its borrowings. In the event that such asset coverage shall fall below 300%, the Fund shall, within three days thereafter, reduce the amount of borrowings to an extent that the asset coverage of such borrowings shall be at least 300%. The Fund has not breached the said asset coverage requirement as at December 31, 2020 and 2019.

In addition, the Fund manages liquidity through reporting of liquidity risk exposures, monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence and changing environment.

The table below analyzes the assets and liabilities of the Fund into their relevant maturity groups using undiscounted amounts based on the remaining period at the reporting date to their contractual maturities or expected repayment dates.

At December 31, 2020	Up to a year	1-5 years	Over 5 years	No term	Total
Cash and cash equivalents	231,716	-	-	-	231,716
Financial assets at FVTPL					
Government securities	-	343,403	-	-	343,403
Corporate securities	-	399,578	-	-	399,578
Unit investment trust funds	-	-	-	57,858	57,858
Other financial assets at					
amortized cost	188	-	-	-	188
Other assets	840	-	-	-	840
Total financial assets	232,744	742,981	-	57,858	1,033,583
Accounts payable and					
accrued expenses					
(excluding taxes payable)	42,082	-	-	-	42,082
Total financial liabilities	42,082	-	-	-	42,082
Net liquidity risk exposure	190,662	742,981	-	57,858	991,501

At December 31, 2019	Up to a year	1-5 years	Over 5 years	No term	Total
Cash and cash equivalents	147,727	-	-	-	147,727
Financial assets at FVTPL					
Government securities	20,218	521,124	93,383	-	634,725
Corporate securities	43,157	61,001	3,532	-	107,690
Unit investment trust funds	-	-	-	5,918	5,918
Other financial assets at amortized cost	222	-	-	-	222
Other assets	1,013	-	-	-	1,013
Total financial assets	212,337	582,125	96,915	5,918	897,295
Accounts payable and accrued expenses (excluding taxes payable)	3,394	-	-	-	3,394
Total financial liabilities	3,394	-	-	-	3,394
Net liquidity risk exposure	208,943	582,125	96,915	5,918	893,901

Market risk

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

The Fund structures levels of market risk it accepts through a market risk policy that determines what constitutes market risk for the Fund; basis used to fair value financial assets and liabilities; sets out the net exposure limits by each counterparty or group of counterparties and industry segments; reporting of market risk exposures; monitoring compliance with market risk policy and review of market risk policy for pertinence and changing environment.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund holds no investment in and does not plan to invest in foreign securities. However, SEC allows mutual fund companies to invest up to 100% of its net assets in foreign securities subject to safety nets and standards set by the SEC. The transactions of the Fund are carried out in its functional currency, hence, it is not exposed to currency risk.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's market risk policy requires it to manage the maturities of interest bearing financial assets and financial liabilities.

The following table shows the information relating to the Fund's investments in fixed income securities that are exposed to fair value interest rate risk presented by maturity profile.

December 31, 2020	Range of rates	Up to a year	1-5 years	Over 5 years	No term	Total
Financial assets at fair value through profit or loss	2.63 - 15.00%	-	742,981	-	57,858	800,839

December 31, 2019	Range of rates	Up to a year	1-5 years	Over 5 years	No term	Total
Financial assets at fair value through profit or loss	3.50 - 15.00%	63,375	582,125	96,915	5,918	748,333

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, showing the impact on pre-tax profit.

	Change in interest rate	Impact on pre-tax profit Increase (decrease)
December 31, 2020	+1%	(15,728)
	-1%	16,378
December 31, 2019	+1%	(19,317)
	-1%	20,232
December 31, 2018	+1%	(7,136)
	-1%	1,310

As at December 31, 2020 and 2019, the Fund determines the reasonable possible change in interest rates using the percentage changes in weighted average yield rates of outstanding securities for the past three years.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is not exposed to cash flow interest rate risk given that other interest-bearing financial assets have fixed interest and are carried at amortized cost.

Price risk

Price risk relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally of equity securities. The Fund has no exposure to equity price risk as it does not hold investments in equity securities as at December 31, 2020 and 2019.

14 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

14.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVTPL.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. The area involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements is disclosed in Note 12.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Fund

The following new standards have been adopted by the Fund effective January 1, 2020:

- *Definition of Material – Amendments to PAS 1 and PAS 8*

The amendments to PAS 1 Presentation of Financial Statements and PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The said amendment does not have a material impact on the Fund's financial statements.

- *Interest rate benchmark reform – Amendment to PFRS 7, PFRS 9 and PAS 39*

The amendments modify some specific hedge accounting requirements to provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

The said amendment does not have a material impact on the Fund's financial statements.

(b) New standards, amendments and interpretations not yet adopted

There are no other standard, amendment or interpretation that are not yet effective at December 31, 2020 and onwards that are considered relevant and are expected to have a material impact on the financial statements of the Fund.

14.2 Financial instruments

14.2.1 Classification and subsequent measurement

The Fund has applied PFRS 9 and classifies its financial assets in the following measurement categories: at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) and at amortized cost.

The classification requirements for equity and debt instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on the Fund's business model for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the Fund classifies its debt instruments into one of the following measurement categories:

- *Amortized cost*

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at fair value through profit or loss, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

As at December 31, 2020 and 2019, the Fund's amortized cost financial assets include cash and cash equivalents, and other receivables.

- *Financial assets at FVOCI*

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in the statement of total comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

As at December 31, 2020 and 2019, the Fund has no financial assets under the FVOCI category.

- *Financial assets at FVTPL*

Financial assets that do not meet the criteria for amortized cost or FVOCI and the collection of contractual cash flows is only incidental to achieving the Fund's business model objective are measured at fair value through profit or loss. A gain or loss on a debt securities that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of total comprehensive income under Fair value gains (losses), net on financial assets at fair value through profit or loss in the period in which it arises.

The Funds financial assets at FVTPL as at December 31, 2020 and 2019 consists of government securities, corporate securities, and investments in unit investment trust funds.

Business model: The business model reflects how the Fund manages the financial assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of financial assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Fund in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Fund reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period. At January 1, 2019, the Fund reclassifies its debt investments from amortized cost to FVTPL measurement category, in accordance with its change in business model.

Equity investments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Fund subsequently measures all equity investments at FVTPL, except where the Fund's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, even on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as Dividend income when the Fund's right to receive payments is established. Gains and losses on equity investments at FVTPL or loss are included in the Fair value gains (losses), net on financial assets at FVTPL in the statements of total comprehensive income.

The Fund does not have equity instruments as at December 31, 2020 and 2019.

14.2.2 Impairment

The Fund assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortized cost. The Fund recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECL is applied to financial assets at amortized cost.

Credit impaired financial assets (Investments - Stage 3)

Financial assets are assessed for credit impairment at each balance sheet date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the debtor is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the debtor or economic conditions that correlate with defaults. An asset that is in Stage 3 will move back to Stage 2 when, as at reporting date, it is no longer considered to be credit-impaired. The asset will transfer back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, and when there is sufficient evidence to support full collection of principal and interest due. Prior to the transfer to Stage 1, the asset should have exhibited both the quantitative and qualitative indicators of probable collection.

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and undrawn components, expected credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument.

When a financial asset is credit impaired, interest ceases to be recognized on the regular accrual basis, which accrues income based on gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortized cost of the asset, which is the gross carrying amount less related allowance for impairment. Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment.

As at December 31, 2020 and 2019, there are no credit-impaired financial assets.

Impairment of other financial assets

The Fund applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for other financial assets.

To measure the expected credit losses, other financial assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of receivables over a period of 36 months before December 31, 2020 and 2019 respectively and corresponding historical credit losses experienced within these periods. The forward-looking information on macroeconomic factors are considered insignificant in calculating impairment of other financial assets.

The Fund's other financial assets primarily composed of cash and cash equivalents and other financial assets at amortized cost are not impaired as at December 31, 2020 and 2019.

14.2.3 Date of recognition

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

14.2.4 Initial recognition of financial assets

Financial assets not carried at FVTPL are initially recognized at fair value plus transaction costs. Financial assets carried at FVTPL are initially recognized at fair value, and transaction costs are recognized as expense in profit or loss.

14.2.5 Day 1 profit

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 observable market, the Fund recognizes the difference between the transaction price and fair value (a "Day 1" profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where variables are made of data which are not observable, the difference between the transaction price and model value is only recognized in profit or loss 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 profit amount.

14.2.6 Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition.

14.2.7 Classification and measurement of financial liabilities

The Fund classifies its financial liabilities at FVTPL or as other financial liabilities at amortized cost.

Other financial liabilities at amortized cost

Issued financial instruments or their components, which are not designated as financial liabilities at FVTPL 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 the Fund's own equity shares.

Financial liabilities not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs.

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 effective interest rate.

This accounting policy applies to Accounts payable and accrued expenses (excluding taxes payable).

14.2.8 Derecognition of financial assets and liabilities

Financial asset

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 right to receive cash flows from the asset has 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 right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Fund has transferred its right to receive cash flows from an asset 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.

Financial liability

A financial liability is derecognized when the obligation is discharged, or is 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 profit or loss.

14.2.9 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Refer to Note 13.5 for the details of financial assets and liabilities that have been offset.

14.3 Other assets

Other assets are recognized in the event that payments have been made in advance of obtaining right of access to good or receipt of services and measured at nominal amounts. These are derecognized from the statement of financial position upon delivery of goods or services, through amortization over a period of time, and use of consumption.

Other assets are included in current assets, except when the related goods or services are expected to be received or rendered more than twelve (12) months after the reporting period, which are then classified as non-current assets.

14.4 Share capital

The Fund issues shares, which are redeemable at the holder's option and are classified as equity in accordance with PAS 32, Financial instruments: Presentation. Each share has the following features which support the equity classification:

- It entitles the holder to a pro rata share of the Fund's net assets in the event of the entity's liquidation;
- The share has no priority over other claims to the assets of the fund on liquidation, and it does not need to be converted into another instrument before it is classified as such; and
- All shares impose a contractual obligation on the Fund to deliver a pro rata share of its net assets on liquidation.

In addition, the Fund has no other financial instrument or contract that has:

- total cash flows based substantially on 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 (excluding any effects of such instrument or contract); and
- the effect of substantially restricting or fixing the residual return to the shareholders.

Should the redeemable shares' terms or conditions change such that they do not comply with the strict criteria as mentioned above, the redeemable shares would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying value of the equity instrument and fair value of the liability on the date of reclassification would be recognized in equity.

Redeemable shares can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's trading NAV calculated in accordance with the Fund's regulations. Redeemed shares are not cancelled but may be reissued in the future.

Share premium

Sales of shares are recorded by crediting Share capital at par value and Share premium for the amount received in excess of the par value; redemptions are recorded by debiting those accounts. In the event that the Share premium balance is exhausted as a result of redemptions, the Retained earnings account is reduced by redemptions in excess of par.

Retained earnings

Retained earnings represent the accumulated surplus of the Fund as at reporting date.

Deposits for future subscription

Deposits for future subscriptions represent funds received by the Fund with a view to applying the same as payment for a future additional issuance of shares either from its authorized but unissued shares, from a proposed increase in authorized share capital, or as share premium. Upon application with the SEC, the amount will be credited to equity while upon the SEC's approval, the amount is transferred to Share capital for the par value of the shares and Share premium for the amount in excess of the par value.

Based on SEC Bulletin No. 6, issued in January 2013, the Fund shall classify deposit for future share subscription as equity if and only if, all of the following are present at the end of the reporting period:

- (a) The unissued authorized share capital is insufficient to cover the amount of shares indicated in the contract;
- (b) There is BOD's approval on the proposed increase in authorized share capital (for which a deposit was received);
- (c) There is stockholders' approval of said proposed increase; and
- (d) The application for the approval of the proposed increase has been filed with the SEC.

If the criteria above are not met, the deposits for share subscriptions will be presented as liabilities in the statement of financial position.

14.5 Revenue recognition

Interest income

Interest income is presented gross of final tax and recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Fund reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and accretes the discount as interest income. Interest income on impaired financial asset carried at amortized cost is recognized using the original effective interest rate.

Other income

Other income is recognized when earned and when the Fund's right to receive payment is established.

14.6 Expenses

Expenses are recognized in the year in which they are incurred.

14.7 NAV per share

NAV per share is computed by dividing the net assets attributable to shareholders, including deposits for future subscriptions classified as liability, as at reporting date by the number of issued and outstanding shares during the year including shares for issuances covered by deposits for future subscriptions.

14.8 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Fund by the weighted average number of shares outstanding and shares covered by deposits for future subscriptions during the year.

Diluted earnings per share is computed in the same manner as basic earnings per share, however, profit attributable to shareholders and the weighted average number of shares are adjusted for the effects of all dilutive potential shares.

As at December 31, 2020 and 2019, there are no potentially dilutive shares.

14.9 Taxation

The Fund is domiciled in the Philippines. Under the existing tax laws of the Philippines, a documentary stamp tax, included under Taxes and licenses in profit or loss, is payable by the Fund on original issue and subsequent sale or transfer of its redeemable shares.

The Fund has interest income from bank deposits and government securities which are subject to final withholding tax. Such income is presented at gross amount and the related final tax is presented as part of income tax expense in profit or loss.

14.10 Current and deferred income tax

Income tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of income tax expense in profit or loss.

Deferred income tax is recognized, using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses (net operating loss carry over or NOLCO) and unused tax credits (excess of minimum corporate income tax or MCIT) to the extent that it is probable that taxable profit will be available against which the deferred income tax asset can be utilized.

Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred income tax arises from the initial recognition of goodwill.

The carrying amount of deferred income tax asset is reviewed at each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. The Fund reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority and where there is an intention to settle the balances on a net basis.

14.11 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties include: i) key management personnel, including directors; ii) entities that have the ability to control or exercise significant influence over the Fund in making financial or operational decisions; and iii) entities that are controlled, jointly controlled or significantly influenced by parties described in i) and ii).

14.12 Functional and presentation currency

Subscriptions and redemptions of the Fund's redeemable shares are denominated in Philippine Peso. The performance of the Fund is measured and reported to the investors in Philippine Peso. The BOD considers the Philippine Peso as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Philippine Peso, which is the Fund's functional currency.

The Fund is not engaged in any foreign currency transactions.

14.13 Events after the reporting date

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

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

On March 26, 2021, republic Act (RA) No. 11534, otherwise known as CREATE, was signed into law. Among the salient provisions of CREATE that is applicable to the Fund include changes to the following:

1. Corporate income tax (CIT) rate shall be reduced to 25% beginning July 1, 2020 for domestic corporations with total assets exceeding P100 million;
2. Temporary reduction in the minimum CIT from 2% to 1% during the period from July 1, 2020 to June 30, 2023. As at December 31, 2020, the CREATE bill is still pending ratification by both the Philippine Congress and Senate, and consequently pending approval of the President of the Republic of the Philippines.

The Fund has assessed that the proposed tax law is not enacted or substantively enacted as at December 31, 2020. Therefore, for financial reporting purposes, the enactment of CREATE after the reporting date is deemed a non-adjusting subsequent event. The CREATE bill has no significant impact to the Fund since the bulk of the Fund's income is tax-exempt or subject to final tax or other percentage tax.

15 Supplementary information required by the Bureau of Internal Revenue (BIR)

Below is the additional information required by Revenue Regulations No. 15-2010 that is relevant to the Fund. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

(i) All other local and national taxes

All other local and national taxes paid and accrued for the year ended December 31, 2020 consist of:

	Paid	Accrued	Total
Municipal taxes	71	-	71
Documentary stamp tax	27	14	41
Community tax	11	-	11
	109	14	123

The above local and national taxes are charged under Taxes and licenses account in the statement of total comprehensive income.

(ii) Withholding taxes

Withholding taxes paid and accrued for the year ended December 31, 2020 consist of:

	Paid	Accrued	Total
Expanded withholding tax	5,925	1,142	7,067

Accrued expanded withholding tax as at December 31, 2020 is included under Accounts payable and accrued expenses in the statement of financial position.

(iii) Tax assessments and cases

As at December 31, 2020, taxable years 2019, 2018 and 2017 are open for tax examinations.

There are no pending tax cases as at December 31, 2020.

(iv) Others

The Fund did not have transactions that are subject to value-added tax, excise taxes, and custom duties and tariff for the year ended December 31, 2020.

Philam Managed Income Fund, Inc.
 (An Open-End Mutual Fund Company)
 17F Philam Life Head Office, Net Lima Building, 5th Avenue corner 26th St.,
 Bonifacio Global City, Taguig 1634, Philippines

Reconciliation of Retained Earnings
 Available for Dividend Declaration
 As at December 31, 2020
 (All amounts in thousands of Philippine Peso)

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning of the year	64,252
Add: Net income actually earned/realized during the period Net income during the period closed to Retained Earnings	51,327
Less: Non-actual/unrealized income net of tax	
• Equity in net income of associate/joint venture	-
• Unrealized foreign exchange gain – after tax (except those attributable to Cash and Cash Equivalents)	-
• Fair value adjustment (mark to market gains)	(2,142)
• Fair value adjustment of Investment Property resulting to gain	-
• Adjustment due to deviation from PFRS - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Add: Non-actual losses	
• Depreciation on revaluation increment (after tax)	-
• Adjustment due to deviation from PFRS – loss	-
• Loss on fair value adjustment of investment property (after tax)	-
Net income actually earned during the period	49,185
Add/(Less): Non-actual losses	
• Dividend declaration during the period	-
• Appropriation of Retained Earnings during the period	-
• Reversals of appropriation	-
• Effects of prior period adjustments	-
• Treasury shares	-
Total Retained Earnings, end of the year available for dividend	113,437

Philam Managed Income Fund, Inc.
Schedule A - Financial Assets
December 31, 2020
(All amounts in Philippine Peso)

Name of Issuing entity and association of each issue	Face value / number of shares	Amount shown in the financial statements	Value based on Market Quotation at end of Reporting Period	Income received and accrued
Cash and cash equivalents				
<i>Time deposits</i>				
BPI TIME DEPOSIT	78,206,000	78,206,000	78,206,000	-
Land Bank of the Philippines TD	100,000,000	100,000,000	100,000,000	-
<i>Cash in banks</i>		53,510,017	53,510,017	-
Total cash and cash equivalents		231,716,017	231,716,017	-
Financial assets at fair value through profit or loss				
<i>Corporate Securities</i>				
CB AC 6.80% DUE 12MAY21	5,000,000	5,123,873	5,077,595	46,278
CB ALI 5.625% DUE 25APR25	3,500,000	3,519,276	3,483,183	36,094
CB CHIB 01-21 CHIBFXBD2021 5.7% DUE ON 10JAN2021	24,600,000	24,696,924	24,615,129	81,795
CB CHIB 10-22 CHIBFXBD2022 2.75% DUE ON 22OCT2022	50,000,000	49,914,692	49,651,150	263,542
CB DBP 2.5% DUE 11DEC2022	50,000,000	50,069,244	49,999,800	69,444
CB Metropolitan Bank&Trust 6.3% 11APR2022	50,000,000	53,066,650	52,366,650	700,000
CB RCB3FXBD2022 3.25% DUE 27JUL2022	50,000,000	50,746,738	50,457,850	288,889
CB SECB SECBFXBD2022 3.125% DUE ON 24JUL2022	100,000,000	101,302,697	100,721,100	581,597
CB SBTC COPPA05CS48 5.875% 27JUN2021	10,000,000	10,171,355	10,166,460	4,896
CB SMFBFXBD2025 5.05% DUE 10MAR25	15,000,000	14,683,303	14,639,115	44,188
CB SMPH032025 4.8643% DUE ON 25MAR2025	25,000,000	26,253,562	25,929,275	324,287
LBP 2.5872% DUE 17NOV2022 PH_LBP171122	10,000,000	10,029,241	9,997,620	31,621
	393,100,000	399,577,557	397,104,927	2,472,630
<i>Government Securities</i>				
FXTN 1054 PHY6972FRC68 6.375% DUE 19JAN22	50,000,000	53,435,786	52,001,411	1,434,375
FXTN 20-2 PHY6972EDM22 15% DUE 14MAR2022	10,000,000	11,741,643	11,295,810	445,833
GPN 21 US718286BJ59 4.95% DUE 15JAN21	75,000,000	76,674,125	74,962,250	1,711,875
GB R513 PIID0525H130 2.625% 12AUG2025	200,000,000	201,551,969	200,837,386	714,583
	335,000,000	343,403,524	339,096,857	4,306,667
<i>Unit Investment Trust Funds</i>				
ALFM PESO BOND FUND INC	81,955	30,411,042	30,411,042	-
BPI MONEY MARKET FUND	105,372	27,447,252	27,447,252	-
	187,327	57,858,294	57,858,294	-
Total financial assets at fair value through profit or loss		800,839,375	800,839,375	26,779,297
Other financial assets at amortized cost		188,342	188,342	-
Other assets		839,696	839,696	-
Total(s)		1,033,583,430	1,033,583,430	26,779,297

Philam Managed Income 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	Amount collected	Amount written-off	Balance at end of period
NOTHING TO REPORT					

Philam Managed Income Fund, Inc.
Schedule C - Amounts Receivable from Related Parties which are Eliminated
during the Consolidation of Financial Statements
December 31, 2020

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written-off	Current	Non-current	Balance at end of period
NOT APPLICABLE							

Philam Managed Income Fund, Inc.
Schedule D - Long-Term Debt
December 31, 2020

Title of issue and type of obligation	Amount authorized by indenture	Amount shown in the statement of financial position
NOTHING TO REPORT		

Philam Managed Income Fund, Inc.
Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
As at December 31, 2020

Name of related party	Balance at beginning of period	Balance at end of period
NOTHING TO REPORT		

Philam Managed Income Fund, Inc.
Schedule F - Guarantees of Securities of Other Issuers
December 31, 2020

Name of Issuing entity of securities guaranteed by the Fund for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
NOTHING TO REPORT				

Philam Managed Income Fund, Inc.
Schedule G - Capital Stock
December 31, 2020

Titles of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Redeemable Shares	100,000,000	1,000,000	-	-	-	-



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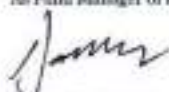
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PHILAM MANAGED INCOME FUND
(An Open-End Investment Company)
1.1 STATEMENT OF ASSETS AND LIABILITIES
(All amounts in thousands of Philippine Peso)

		Unaudited as at 30-Jun-2021 (PHP)	Audited as at 31-Dec-2020 (PHP)	Increase/Decrease 30 Jun 2021 vs. 31 Dec 2020	
				Amount	%
ASSETS	NOTES				
Cash & Cash Equivalents	2	183,741	231,716	(47,975)	-20.70%
Financial Assets at Fair Value through Profit or Loss	3	900,447	800,839	99,608	12.44%
Other financial assets at amortized cost	4	78	188	(110)	-58.58%
Other Assets		833	840	(7)	-0.84%
TOTAL ASSETS		1,085,099	1,033,583	51,516	4.98%
LIABILITIES					
Accounts Payable and Accrued Expenses	5	36,958	43,238	(6,280)	-14.52%
Deposits For Future Subscriptions	6	59,929	59,929	0	0.00%
TOTAL LIABILITIES		96,887	103,167	(6,280)	-6.09%
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		988,212	930,416	57,796	6.21%
EQUITY ATTRIBUTABLE TO UNITHOLDERS	6				
Share Capital		1,423	1,000	423	42.30%
Share Premium		111,642	56,202	55,440	98.64%
DFFS		757,635	757,635	-	100.00%
Reserve for fluctuation on available-for-sale financial assets		-	-	-	-
Retained Earnings		117,512	115,579	1,933	1.67%
EQUITY ATTRIBUTABLE TO UNITHOLDERS		988,212	930,416	57,796	6.21%
TOTAL LIABILITIES AND EQUITY		1,085,099	1,033,583	51,516	4.98%

FOR: BPI INVESTMENT MANAGEMENT, INC.
As Fund Manager of Philam Managed Income Fund, Inc.



Dante M. Delos Santos
Chief Operations Officer, BIMI

PHILAM MANAGED INCOME FUND

(An Open-End Investment Company)

1.2 STATEMENT OF OPERATIONS

(All amounts in thousands of Philippine Peso)

		For the Period Ended		For the Quarter Ended	
		30-Jun-2021	30-Jun-2020	30-Jun-2021	30-Jun-2020
INVESTMENT INCOME/(LOSS)	NOTES	(PHP)	(PHP)	(PHP)	(PHP)
Interest	7	12,778	22,332	6,315	10,873
Realized Gains/(Losses) - Investments	3	(3,033)	3,450	(1,054)	1,757
Unrealized Gains/(Losses) - Investments	3	(2,904)	15,186	3,893	27,497
Total Investment Income/(Loss)		6,842	40,968	9,155	40,127
OPERATING EXPENSES					
Management fees	9	1,354	1,402	679	707
Fees and Other Charges	8	884	884	451	415
Taxes and Licenses fees		97	649	4	4
Other Expenses		28	7	20	3
Total Operating Expenses		2,363	2,942	1,154	1,130
INVESTMENT INCOME BEFORE INCOME TAX		4,479	38,026	8,001	38,997
PROVISION FOR INCOME TAX		2,547	4,263	1,283	2,008
NET INVESTMENT INCOME		1,932	33,763	6,717	36,989
Number of shares outstanding		791,846,198	747,787,617	791,846,198	747,787,617
Earnings per share (PHP)		PHP 0.0024	PHP 0.0452	PHP 0.0085	PHP 0.0495

PHILAM MANAGED INCOME FUND
(An Open-End Investment Company)

1.3 STATEMENTS OF CHANGES IN NET ASSETS

ATTRIBUTABLE TO UNITHOLDERS

(All amounts in thousands of Philippine Peso)

	Unaudited For the Period Ended 30-Jun-2021 (PHP)	Unaudited For the Period Ended 30-Jun-2020 (PHP)
FROM INVESTMENT ACTIVITIES		
Net Investment Income	1,932	33,783
Other Comprehensive Income	-	-
TRANSACTION WITH UNITHOLDERS		
Proceeds from issuance of units	227,108	401,084
Payment for redemption of units	(171,244)	(356,094)
Adjustment to Retained Earnings - Adoption of IFRS 9	-	-
Audit Adjustment	-	-
Net increase (decrease) from transactions with unitholders	55,864	44,990
NET INCREASE IN NET ASSETS	57,796	78,773
BALANCE AT BEGINNING OF PERIOD	930,416	883,309
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT END OF YEAR	988,212	962,082

PHILAM MANAGED INCOME FUND

(An Open-End Investment Company)

1.4 STATEMENT OF CASH FLOWS

(All amounts in thousands of Philippine Peso)

	Unaudited as at 30-Jun-2021	Unaudited as at 30-Jun-2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income/(loss) before income tax	4,479	38,026
Less: Unrealized Gains/(Losses) - Investments	2,904	(15,186)
Interest Income	(12,778)	(22,332)
Operating income/(loss) before working capital changes	(5,395)	508
<i>Changes in operating assets and liabilities:</i>		
<i>(Increase)/decrease in assets:</i>		
Financial Assets at Fair Value through Profit or Loss	(104,879)	(42,568)
Investment securities at amortized cost	-	-
Other financial assets at amortized cost	22	(26)
Available-for-Sale Investments	-	-
Loans and Receivables	-	-
Held to Maturity Investments	-	-
Held To Collect Investments	-	-
Other Assets	7	362
<i>Increase/(decrease) in liabilities:</i>		
Accounts payable and accrued expenses	(6,280)	38,575
Deposits For Future Subscriptions	0	(0)
Net cash provided by (used in) operations	(116,525)	(3,150)
Interest received	15,233	23,364
Income taxes paid	(2,547)	(4,263)
Net cash from (used in) operating activities	(103,839)	15,951
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	227,108	401,084
Payments for units redeemed	(171,244)	(356,094)
Adjustment to Retained Earnings - Adoption of IFRS 9	-	-
Audit Adjustment	-	-
Net cash from (used in) Financing Activities	55,864	44,990
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(47,975)	60,941
CASH AND CASH EQUIVALENTS, BEGINNING	231,716	147,727
CASH AND CASH EQUIVALENTS, END	183,741	208,668

PHILAM MANAGED INCOME FUND
ATTACHMENT TO FINANCIAL STATEMENTS

TOTAL ASSETS-January 1 to June 30, 2021 1,085,099
NET ASSET VALUE-January 1 to June 30, 2021 988,212

SECURITY NAME	MARKET VALUE	PERCENTAGE TO NET ASSET VALUE	PERCENTAGE TO TOTAL ASSETS	NO. OF SHARES
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS:				
BONDS:				
CB AYALA CORP ACFXBOND2024 3.026% DUE ON 28MAY2024	40,111	4.08%	3.70%	40,000
CB CHINABANK CHIBFXBD2024 2.5% DUE ON 18 FEB 2024	50,045	5.06%	4.61%	50,000
CB CHIB 10-22 CHIBFXBD2022 2.75% DUE ON 22OCT2022	49,628	5.02%	4.57%	50,000
CB DBP 2.5% DUE 11DEC2022	50,282	5.09%	4.63%	50,000
CB ENERGY DEVT CORP EDCFXBND2024 2.8595% 25JUN2024	25,052	2.54%	2.31%	25,000
LBP 2.5872% DUE 17NOV2022 PH_LBP171122	10,064	1.02%	0.93%	10,000
CB Metropolitan Bank&Trust 6.3% 11APR2022	52,316	5.29%	4.82%	50,000
CB RCB3FXBD2022 3.25% DUE 27JUL2022	50,897	5.15%	4.68%	50,000
CB SECB SECBFXBD2022 3.125% DUE ON 24JUL2022	101,857	10.29%	9.37%	100,000
CB SMPBFXBD2025 5.05% DUE 10MAR25	14,456	1.46%	1.33%	15,000
CB SMPH032025 4.8643% DUE ON 25MAR2025	25,241	2.66%	2.42%	25,000
CB SMPH 2.4565% DUE 05AUG2023	25,175	2.55%	2.32%	25,000
TOTAL BONDS	495,942			
GOVERNMENT SECURITIES:				
GB R5-11 PHY6972FZP69 4.625% DUE ON 04DEC2022	103,554	10.49%	9.55%	100,000
GB R3-11 PHY6972HJA90 2.375% DUE 09MAR2024	150,290	15.21%	13.85%	150,000
GB R513 P1D0525H130 2.625% 12AUG2025	150,561	15.24%	13.88%	150,000
TOTAL GOVERNMENT SECURITIES	404,505			
TOTAL FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT/LOSS	900,447			

INVESTMENT IN SEMI LIQUID/ LIQUID INVESTMENTS

CASH AND CASH EQUIVALENTS	163,741	16.59%	15.53%	n/a
GOVERNMENT SECURITIES	404,505	40.93%	37.28%	n/a
	<u>568,246</u>			

NO BORROWINGS FOR THE PERIOD

TOTAL OPERATING EXPENSES

AVERAGE DAILY NET ASSET VALUE - January 1 to June 30, 2021

1,032,159

NATURE OF EXPENSES	AMOUNT	PERCENTAGE TO NET ASSET VALUE
Management fees	1,354	0.13%
Fees and Other Charges	884	0.08%
Taxes and Licenses	97	0.01%
Miscellaneous	28	0.00%
	<u>2,363</u>	

PHILAM MANAGED INCOME FUND
ATTACHMENT TO FINANCIAL STATEMENTS

TOTAL ASSETS-January 1 to June 30, 2020 1,014,623
NET ASSET VALUE-January 1 to June 30, 2020 962,062

SECURITY NAME	MARKET VALUE	PERCENTAGE TO NET ASSET VALUE	PERCENTAGE TO TOTAL ASSETS	NO. OF SHARES
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS:				
BONDS:				
CB ALI 5.625% DUE 25APR25	3,889	0.38%	0.38%	3,500
CB CHIB 01-21 CHIBFXBD2021 5.7% DUE ON 10JAN2021	18,182	1.88%	1.79%	17,900
DBS072020 PHP Note 3.18% DUE 28JUL2020	100,553	10.45%	9.91%	100,000
CB Metropolitan Bank&Trust 6.3% 11APR2022	92,839	9.49%	9.21%	50,000
CB SBTC-COPPADCS48 5.875% 27JUN2021	10,235	1.06%	1.01%	10,000
CB SMFBFXBD2025 5.05% DUE 10MAR25	14,615	1.52%	1.44%	15,000
CB SMPH032025 4.8643% DUE ON 25MAR2025	25,442	2.64%	2.51%	25,000
CB UNION BANK OF THE PHILS 7.061% DUE 07DEC2020	1,196	0.12%	0.12%	1,170
TOTAL BONDS	226,782			
GOVERNMENT SECURITIES				
FXTN 10-52 PHY6972FM209 5.875% DUE 16DEC2020	35,584	3.70%	3.51%	35,000
FXTN 1054 PHY6972FRC68 6.375% DUE 19JAN22	53,968	5.61%	5.32%	50,000
FXTN 20-2 PHY6972EDM22 15% DUE 14MAR2022	12,158	1.26%	1.20%	10,000
FXTN 20-23 5.75 PHY6972HCZ74 DUE ON 24JAN39	71,362	7.42%	7.03%	50,000
FXTN 4.75 PHY6972HEC91 4.75% DUE ON 04JUL22	106,499	11.07%	10.50%	100,000
FXTN 25-8 PHY6972FNA49 8.125% DUE 16DEC2035	3,989	0.41%	0.39%	2,700
GB R3-9 PHY6972HBA33 4.875% DUE ON 13JUN2021	51,204	5.32%	5.05%	50,000
GB R5-11 PHY6972FZP89 4.625% DUE ON 04DEC2022	68,260	7.10%	6.73%	65,000
GPN 21 US718288B389 4.98% DUE 15JAN21	77,236	8.03%	7.61%	75,000
TOTAL GOVERNMENT SECURITIES	480,391			
UNIT INVESTMENT TRUST FUND				
BPI MONEY MARKET FUND	4,098	0.43%	0.40%	16
UITF BPI SHORT TERM FUND	94,012	9.77%	9.27%	928
TOTAL UNIT INVESTMENT TRUST FUND	98,110			
TOTAL FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT/LOSS	805,172			
INVESTMENT IN SEMI LIQUID/ LIQUID INVESTMENTS				
CASH AND CASH EQUIVALENTS	208,658	21.69%	20.57%	n/a
GOVERNMENT SECURITIES	480,301	49.92%	47.34%	n/a

888,969

NO BORROWINGS FOR THE PERIOD

TOTAL OPERATING EXPENSES

AVERAGE DAILY NET ASSET VALUE - January 1 to June 30, 2020

1,007,022

NATURE OF EXPENSES	AMOUNT	PERCENTAGE TO NET ASSET VALUE
Management fees	1,402	0.14%
Fees and Other Charges	684	0.09%
Taxes and Licenses	649	0.06%
Miscellaneous	7	0.00%
	2,942	

PHILAM MANAGED INCOME FUND
Financial Statement Ratios

	January 1 to June 30, 2021	January 1 to December 31, 2020	January 1 to June 30, 2020
Current Asset	1,085,099	1,033,583	1,014,623
Current Liabilities	96,887	103,167	16,998
Current /Liquidity Ratio	11.20	10.02	59.69
Total Liabilities	96,887	103,167	16,998
Total Equity	988,212	930,416	962,062
Debt-to-Equity Ratio	0.0980	0.1109	0.0177
Total Assets	1,085,099	1,033,583	1,014,623
Total Equity	988,212	930,416	962,062
Asset-to-Equity Ratio	1.0980	1.1109	1.0546
Earnings Before Income Tax	4,479	58,394	38,026
Interest Expense	-	-	-
Interest Rate Coverage Ratio	n.a.	n.a.	n.a.
Net Income	1,932	51,327	33,763
Total Equity	988,212	930,416	962,062
Return on Equity	0.0020	0.0552	0.0351

Philam Managed Income Fund, Inc.
(An Open-End Mutual Fund Company)

Notes to the Financial Statements

As at and for the period of June 30, 2021 and 2020

(In the notes, all amounts are shown in thousand Philippine Peso, unless otherwise stated)

1 General information

Philam Managed Income Fund, Inc. (the “Fund”) is an open-end mutual fund company engaged in the sale of its shares of stock, the proceeds of which are invested in fixed income investments. It was registered on February 27, 2006 with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1960 or Republic Act 2629 and The Revised Securities Act or Batas Pambansa Blg. 178. As an open-end mutual fund company, its outstanding shares are redeemable anytime at the holder’s option based on the net asset value (NAV) per share at the time of redemption.

The Fund is registered as an issuer of securities with the SEC under Section 12 of the Securities Regulation Code (SRC). The Fund’s track record of securities registration is shown in Note 6.

The Fund’s registered office address, which is also its principal place of business, is located at 17F Philam Life Head Office, Net Lima Building, 5th Avenue corner 26th St., Bonifacio Global City, Taguig 1634, Philippines.

The Fund has no employees.

Effective January 29, 2020, PAMI assigned all its rights, interests, and obligations as fund manager, advisor, distributor, and transfer agent of the Fund to BPI Investment Management, Inc (BIMI), a wholly-owned subsidiary of Bank of the Philippine Islands (BPI). Henceforth, the management, distribution and transfer agency functions are performed by BIMI over the Fund. Services, contracts and agreements are in force with BIMI.

Coronavirus pandemic

The pandemic which broke out in March 2020 forced governments all over the world, including the Philippines, to implement community lockdowns and quarantines to mitigate the spread of the virus. Unfortunately, these lockdowns caused the demands for goods and services to plummet which ultimately led to the contraction of both global and domestic economies.

In response to the growing number of COVID-19 cases in the country, Republic Act (RA) No. 11469, otherwise known as “Bayanihan to Heal as One Act” (or simply the “Bayanihan Act”) was enacted in March 2020 which granted the President of the Republic of the Philippines additional powers to combat the pandemic and aid certain vulnerable sectors of the economy.

The pandemic remains the topmost concern of the government and businesses alike. The Philippine economy is gradually opening with the imposition of less stringent community quarantine protocols. Likewise, the vaccination program of the government is expected to commence in 2021 which is hoped to slow down the spread of the virus and boost confidence among businesses and consumers.

Overall, the COVID-19 pandemic did not have significant impact on the Fund’s business operations, financial position, and cash flows as of June 30, 2021 and for the year ended December 31, 2020, including its ability to continue on as a going concern in the next 12 months after reporting date. While the pandemic still poses some risk and uncertainties, the Fund, however, remains confident on its ability to absorb some conceivable financial shocks that may arise due to volatile economic conditions.

2 Cash and cash equivalents

The account as at June 30, 2021 and December 31, 2020 consists of:

	June 30, 2021	December 31, 2020
Cash in banks	35,741	53,510
Short term deposits	148,000	178,206
	183,741	231,716

Cash in banks earn interest at prevailing bank deposit rates.

Cash and cash equivalents as at June 30, 2021 and December 31, 2020 are all classified as current.

3 Financial assets at fair value through profit or loss

The account as at June 30, 2021 and December 31, 2020 consists of:

	June 30, 2021	December 31, 2020
Government securities	404,505	343,403
Corporate bonds	495,942	399,578
Mutual Fund and Unit investment trust funds	-	57,858
	900,447	800,839

Financial assets at FVTPL are considered held for trading and classified as current assets.

The composition of income (losses) from financial assets at FVTPL, net for the June 30, 2021 and 2020 are as follows:

	June 30, 2021	June 30, 2020
Interest income on financial assets at FVTPL	12,190	19,308
Other changes on financial assets at FVTPL		
Net realized fair value gains (losses)	(3,033)	3,450
Net unrealized fair value gains (losses)	(2,904)	15,186
	6,253	37,944

4 Other financial assets at amortized cost

The account at June 30, 2021 consist of accrued interest from term deposits amounting to P78 (December 31, 2020 – P188).

Other financial assets at amortized cost as at June 30, 2021 and December 31, 2020 are all classified as current.

5 Accounts payable and accrued expenses

The account as at June 30, 2021 and December 31, 2020 consists of:

	June 30, 2021	December 31, 2020
Accounts payable	36,258	42,671
Accrued expenses	700	567
	36,958	43,238

Accounts payable include withholding taxes, documentary stamp tax payable, other payables and payable to investors due to redemptions that have been contracted for but not yet settled as at reporting date.

Accrued expenses mainly represent accruals for transfer charges, legal fees, marketing and administration fees.

As at June 30, 2021 and December 31, 2020, the Fund's accounts payable and accrued expenses are all current.

6 Net assets attributable to shareholders

The account as at June 30, 2021 and December 31, 2020 consists of:

	June 30, 2021	December 31, 2020
Share capital – P0.01 par value		
Authorized - 100,000,000 shares		
Issued and outstanding	1,423	1,000
Share premium	111,642	56,202
Deposit for future subscriptions	757,635	757,635
Retained earnings	117,512	115,579
	<u>988,212</u>	<u>930,416</u>

The movements in the number of issued and outstanding shares (in absolute number of shares) follow:

	June 30, 2021	December 31, 2020
Issued and outstanding, beginning	100,000,000	100,000,000
Issuances of shares	378,246,108	378,246,108
Redemptions of shares	(378,246,108)	(378,246,108)
Issued and outstanding, ending	<u>100,000,000</u>	<u>100,000,000</u>

As at June 30, 2021, the Fund has 580 shareholders (2020 - 593 shareholders).

The Fund computes its NAV per share by dividing the net assets attributable to shareholders, including deposits for future subscriptions classified as liability, if any, as at reporting date by the number of issued and outstanding shares during the year, including shares for issuances covered by deposits for future subscriptions (DFFS). The total equity as shown in the statement of financial position represents the Fund's NAV based on Philippine Financial Reporting Standards (PFRS NAV).

Issue or offer price is equivalent to the NAV per share at the time of issuance.

The Fund computes its NAV per share by dividing the net assets attributable to shareholders, including deposits for future subscriptions classified as liability, if any, as at reporting date by the number of issued and outstanding shares during the year, including shares for issuances covered by deposits for future subscriptions (DFFS). The total equity as shown in the statement of financial position represents the Fund's NAV based on Philippine Financial Reporting Standards (PFRS NAV).

Issue or offer price is equivalent to the NAV per share at the time of issuance.

A reconciliation of the Fund's Trading NAV to PFRS NAV is provided below:

	June 30, 2021	December 31, 2020
Trading NAV	1,048,141	990,345
DFFS	(59,929)	(59,929)
PFRS NAV	<u>988,212</u>	<u>930,416</u>

NAV per share at June 30, 2021 and December 31, 2020 is computed as follows:

	June 30, 2021	December 31, 2020
Trading NAV	1,048,141	990,345
Number of shares outstanding (in thousands)	791,846	749,548
NAV per share	<u>1.3237</u>	<u>1.3213</u>

As disclosed in Note 1, the Fund is an open-end investment company which stands ready at any time to redeem its outstanding shares at a value defined under its prospectus. Any changes in the value of the shareholders' investment are reflected in the increase or decrease in the Fund's NAV.

The Fund's retained earnings may exceed 100% of its paid-up capital from time to time. This, however, is not construed as a compelling factor for the Fund to declare dividends considering the nature of the Fund's business. Such retained earnings may be used for reinvestment and will be converted into realized profits by the shareholders upon redemption of their shareholdings in the Fund.

Earnings (loss) per share for the years ended at June 30, 2021 and 2020 are computed as follows:

	June 30, 2021	June 30, 2020
Net income (loss)	1,932	33,763
Weighted average number of common shares outstanding during the year (in thousands)	791,846	747,788
Earnings (Loss) per share	0.0024	0.0452

In compliance with the SRC, the Fund is required to file registration statement for each instance of increase in authorized shares. The table below shows the Fund's track record of registration of securities under the SRC (in absolute amounts).

SEC approval date	Number of shares	Par value
February 27, 2006	100,000,000	P0.01

7 Interest income

The Fund's interest income for the ended June 30, 2021 and 2020 are derived from:

	June 30, 2021	June 30, 2020
Cash and cash equivalents	588	3,024
Financial assets at FVTPL	12,190	19,308
	12,778	22,332

8 Fees and other charges

The details of the account for June 30, 2021 and June 30, 2020 are as follows:

	June 30, 2021	June 30, 2020
Transfer Agent Fees	271	255
Legal & Audit fees	228	228
Administration fees	149	140
Directors' fees	76	76
Postage & Mailing	44	44
Custodian fees	38	47
Marketing fees	39	39
Documentary Stamp Tax	18	28
Bank charges	21	27
Provision for Probable Loss	-	-
	884	884

Professional fees pertain to amounts paid to third party service providers.

Registry and transfer charges pertain to the fees paid to the transfer agent for the record keeping of individual shareholdings and the issuance and cancellation of stock certificates.

Directors' fees pertain to per diem of the directors of the Fund.

Administration fees are the amounts paid to the Fund's accountant for services rendered which include, among others, the preparation and maintenance of books of accounts and computation of NAV.

Fees to custodian bank pertain to amounts paid to the custodian bank for the safekeeping of the securities, arranging settlement of any purchases and sales and collecting information on and income from such assets.

9 Management Fees

Effective January 29, 2020, PAMI assigned all its rights, interests, and obligations as fund manager, advisor, distributor, and transfer agent of the Fund to BPI Investment Management, Inc. (BIMI), a wholly-owned subsidiary of Bank of the Philippine Islands (BPI). Henceforth, the management, distribution and transfer agency functions are performed by BIMI over the Fund. Services, contracts and agreements are in force with BIMI.

The table below summarizes the Fund's transactions and balances with PAMI and BIMI.

	Transactions (Charges to profit or loss)	Outstanding balance (Due to fund manager)	Outstanding balance's terms and conditions
Management Fees			<ul style="list-style-type: none"> - Management fee is computed as one-forty eighth (1/48) of one percent (1%) of the average NAV of the Fund per year determined on a daily basis - Outstanding balance is unguaranteed, unsecured and non-interest bearing; settled in cash at gross amount within the following month
June 30, 2021	1,354	189	
June 30, 2020	1,402	172	
Registry and transfer fees			<ul style="list-style-type: none"> - Registry and transfer fee is computed as one-twentieth (1/20) of one percent (1%) of the NAV per year determined on a daily basis - Outstanding balance is unguaranteed, unsecured and non-interest bearing; settled in cash at gross amount within the following month
June 30, 2021	271	44	
June 30, 2020	255	40	

Management and transfer fees payable will be settled the next month.

Management and transfer fees payable and other liabilities are considered current as at June 30, 2021 and December 31, 2020.

10 Fund accounting services

On July 1, 2008, the Fund and Deutsche Bank entered into a fund accounting agreement wherein Deutsche Bank shall perform administrative functions, which include, among others, the preparation and maintenance of books of accounts and computation of NAV. As compensation for services rendered, Deutsche Bank shall be entitled to an administration fee equivalent to 0.0275% per annum based on the NAV of the Fund.

Administration fees for the year ended June 30, 2021 amount to P149 (June 30, 2021 – P 140) and is included under Fees and other charges in the statement of total comprehensive income. As at June 30, 2021, administration fees payable to Deutsche Bank included in accounts payable and accrued expenses amount to P50 (December 31, 2020 – P70).

11 Critical accounting estimate and judgments

Estimates, assumptions and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The accounting estimate and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

11.1 Critical accounting judgments

Classification of financial assets

The Fund follows the guidance of PFRS 9 starting January 1, 2018 in classifying financial assets at initial recognition whether it will be subsequently measured at fair value through other comprehensive income, at amortized cost, or at fair value through profit or loss. The Fund determines the classification based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets. The Fund determines whether the contractual cash flows associated with the financial asset are solely payments of principal and interest (SPPI). If the instrument fails the SPPI test, it will be measured at fair value through profit or loss.

Recognition of deferred income tax assets

Deferred income tax asset from NOLCO has not been recognized because the Fund believes that there is limited capacity to generate sufficient taxable profit against which benefit from NOLCO can be utilized. The Fund assesses the unrecognized deferred income tax assets and will recognize a previously unrecognized deferred income tax asset to the extent that it has become probable that future taxable income will allow the deferred income tax assets to be recovered.

11.2 Critical accounting estimate

Estimation of expected credit loss for financial assets

The measurement of the expected credit loss (ECL) for the Fund's investment securities at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. impact of unemployment rates on the credit risk of a counterparty and the likelihood of counterparties defaulting).

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each portfolio and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL

12 Capital and financial risk management

12.1 Governance framework

The primary objective of the Fund's financial risk management framework is to protect the Fund from events that hinder the sustainable achievement of the Fund's performance objectives, including failing to exploit opportunities. The Fund recognizes the critical importance of having efficient and effective risk management systems in place.

The BOD has approved the Fund's risk management policies and meets regularly to approve on any commercial, regulatory and own organizational requirements in such policies. The policies define the Fund's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of investment strategy to the corporate goals and specific reporting requirements.

12.2 Capital management

The Fund's objectives for managing capital are: (a) to invest the capital in investments meeting the description and risk exposure indicated in its prospectus; (b) to achieve consistent returns while safeguarding capital; and (c) to maintain sufficient liquidity to meet the expenses of the Fund and to meet redemption requests as they arise.

As provided by the Investment Company Act of 1960, the minimum required capitalization for funds amounts to P50 million. The Fund's capitalization is more than the requirement of the SEC.

The Fund considers the net assets attributable to shareholders as its capital (or total equity as shown in the statement of financial position). As at June 30, 2021, the net assets attributable to unitholders amount to P988,212 (December 31, 2020 – P930,416).

12.3 Regulatory framework

The operations of the Fund are also subject to the regulatory requirements of the SEC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions. Unless ordered otherwise by the SEC, the Fund shall not sell securities short or invest in any of the following:

- a. margin purchase of securities (investments in partially paid shares are excluded);
- b. commodity future contracts;
- c. precious metals;
- d. unlimited liability investments;
- e. short selling of currencies;
- f. short selling of investments; and
- g. other investments as the SEC shall, from time to time, prescribe.

Any changes in the Fund's investment objective should be with notice and prior approval of the SEC. An investment company shall not change its investment objective without the approval from the majority of the Fund's shareholders.

In addition, the SEC also provides maximum limits on exposure to counterparties, maintenance of a certain level of liquid assets and conditions for incurring borrowings.

The Fund is fully compliant with the above regulatory requirements as at June 30, 2021 and 2020.

12.4 Fair value of financial instruments

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 Fund ranks its financial instruments based on the hierarchy of valuation techniques required by PFRSs, which is determined based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Fund's market assumptions. These two types of inputs lead to the following fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Fund considers relevant and observable market prices in its valuations where possible.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset.

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from the exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

Financial instruments classified within Level 3 have significant unobservable inputs, as they trade infrequently.

The fair values of investments in fixed-income securities and unit investment trust funds under financial assets at FVTPL and government securities under AFS financial assets are all classified under Level 2.

Any changes in the Fund's investment objective should be with notice and prior approval of the SEC. An investment company shall not change its investment objective without the approval from the majority of the Fund's shareholders.

In addition, the SEC also provides maximum limits on exposure to counterparties, maintenance of a certain level of liquid assets and conditions for incurring borrowings.

The Fund has no financial assets that fall under the Level 1 and 3 categories. There are no other assets or liabilities that are subsequently measured at fair value or that would require disclosure of fair value hierarchy.

12.5 Financial risk

The Fund may invest in SEC-registered debt papers or other certificate of indebtedness/obligations, issuers of whom had been determined as financially sound and approved by the Investment Committee of the fund manager. The Fund does not plan to invest in foreign securities. However, SEC allows mutual fund companies to invest up to one hundred percent (100%) of its net assets in foreign securities subject to safety nets and standards set by the SEC.

The Fund is exposed to financial risk through its financial assets. The most important components are credit risk, liquidity risk and market risk. These risks arise from open positions in interest rate securities, all of which are exposed to general and specific market movements.

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.

The Fund manages the level of credit risk it accepts through setting up of exposure limits by each counterparty or group of counterparties. Effective July 2013, the maximum investment of the Fund in any single enterprise shall not exceed an amount equivalent to fifteen percent (15%) of the Fund's NAV except obligations of the Philippine government or its instrumentalities, provided that in no case shall the total investment of the Fund exceed ten percent (10%) of the outstanding securities of any one investee company. The Fund also transacts only with institutions with high credit rating or standing.

In addition, the Fund manages the level of credit risk it accepts through reporting of credit risk exposures, monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment. The Fund cannot lend to individual borrowers.

The fund manager's high-grade credit process combines top down and bottom up elements reflecting the observation that the weaker the credit quality, the more security specific risk comes to dominate overall portfolio risk. The bottom up element focuses on the analysis of individual credits. The top down element focuses on the analysis of sectors. In order to manage risk, the high-grade portfolios combine diversification rules with a number of filters designed to help avoid downgrade and default candidates.

As at June 30, 2021 and December 31, 2020, all of the Fund's financial assets are classified as stage 1 (performing) accounts. There are no financial assets classified under stages 2 (underperforming) and stage 3 (impaired).

Cash and cash equivalents are maintained with universal banks to minimize credit risk exposure. The other financial assets consisting of investment in fixed income securities and receivables are considered by the Fund as having investment grade credit quality, wherein the counterparties are assessed to possess strong to very strong capacities to meet their obligations; thus, credit risk is assessed to be very low.

As at June 30, 2021 and December 31, 2020, there are no past due or impaired financial assets. There are no collaterals held as security and other credit enhancements attached to the loans and receivables.

Beginning January 1, 2018, the Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligation in the near term. Loss allowance has been recognized based on 12-month expected credit losses.

Expected credit loss (ECL) measurement

PFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Fund.
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to the discussion below on SICR for a description of how the Fund determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on ECL on a lifetime basis.

- A pervasive concept in measuring ECL in accordance with PFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

SICR

The Fund has aligned its SICR criteria with the presumption indicated within PFRS 9; that is, the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. Also, the Fund considers investment downgrade of two notches as an indicator of SICR.

Definition of default and credit-impaired assets

The Fund defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Qualitative criteria

The counterparty meets unlikelihood to pay criteria, which indicates the counterparty is in significant financial difficulty. These are instances where:

- The counterparty is in long-term forbearance;
- The counterparty is dissolved;
- The counterparty is insolvent;
- The counterparty is in breach of financial covenant(s);
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the creditor relating to the counterparty's financial difficulty;
- It is becoming probable that the counterparty will enter bankruptcy; or
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

Quantitative criteria

The Fund has applied the presumption indicated within PFRS 9 pertaining to the default definition; that is, default of a financial instrument does not occur later than when a financial asset is more than 90 days past due.

The criterion above has been applied to all financial instruments held by the Fund and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD) throughout the Fund's expected credit loss calculation.

An instrument is considered to no longer be in default (i.e. to have been cured) when it no longer meets any of the default criteria for a consecutive period of six months.

Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12M) or a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The ECL is the discounted product of the PD, EAD, and LGD, defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Fund expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- LGD represents the Fund's expectation of the extent of loss on a defaulted exposure. It is expressed as a percentage loss per unit of exposure at the time of default.

The ECL is determined by projecting the PD, EAD, and LGD for each future year and for each individual exposure or collective segment. These three components are multiplied together, and then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Forward-looking information incorporated in the ECL model

The calculation of ECL incorporates forward-looking information. The Fund has performed historical analysis and identified the key economic variables affecting credit risk and ECL for each portfolio (i.e. unemployment rate). This economic variable and its associated impact on the likelihood of default vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of this economic variable are based on the economic data from the Philippine Statistics Authority (PSA). The impact of this economic variable on the ECL model has been determined by performing statistical regression analysis to understand the impact that changes in this variable have had historically on the counterparty's default rates.

As with any economic forecast, the projections used within the ECL calculation are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Fund considers this in its credit risk management and would continue to govern these processes closely.

Liquidity risk

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

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

The Fund manages liquidity through specifying minimum proportion of funds to meet emergency calls. Unless otherwise prescribed by the SEC, at least ten percent (10%) of the Fund shall be invested in liquid/semi-liquid assets such as:

- a. Treasury notes or bills, certificates of indebtedness issued by the Bangko Sentral ng Pilipinas which are short term, and other government securities or bonds and such other evidence of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines;
- b. Tradable Long-Term Negotiable Certificate of Time Deposits (LTNCDs);
- c. Government debt securities where the issuer or the guarantor is a foreign government, sovereign or central bank with an international long-term issuer rating of investment grade;
- d. Savings or time deposits with government-owned banks or commercial banks, provided that in no case shall any such savings or time deposits accounts be accepted or allowed under a "bearer," "numbered" account or other similar arrangement;
- e. Money market instruments issued by Philippine regulated qualified buyers or those issued by an investment grade issuing body; and,
- f. Other collective schemes wholly invested in liquid/semi-liquid assets.

The Fund may 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 300% for all its borrowings. In the event that such asset coverage shall fall below 300%, the Fund shall, within three days thereafter, reduce the amount of borrowings to an extent that the asset coverage of such borrowings shall be at least 300%. The Fund has not breached the said asset coverage requirement as at June 30, 2021 and December 31, 2020.

In addition, the Fund manages liquidity through reporting of liquidity risk exposures, monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence and changing environment.

Market risk

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

The Fund structures levels of market risk it accepts through a market risk policy that determines what constitutes market risk for the Fund; basis used to fair value financial assets and liabilities; sets out the net exposure limits by each counterparty or group of counterparties and industry segments; reporting of market risk exposures; monitoring compliance with market risk policy and review of market risk policy for pertinence and changing environment.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund holds no investment in and does not plan to invest in foreign securities. However, SEC allows mutual fund companies to invest up to 100% of its net assets in foreign securities subject to safety nets and standards set by the SEC. Since the transactions of the Fund are carried out in its functional currency, accordingly; it is not exposed to currency risk.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's market risk policy requires it to manage the maturities of interest bearing financial assets and financial liabilities.

As at June 30, 2021 and December 31, 2020, the Fund determines the reasonably possible change in interest rates using the percentage changes in weighted average yield rates of outstanding securities for the past three years.

13 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

13.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with Philippine Accounting Standards (PAS) 34 – *Interim Financial Reporting*. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2020, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PASs) and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVTPL and AFS financial assets.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. The area involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

Changes in accounting policy and disclosures

(a) New standards, amendments to existing standards and interpretations adopted by the Fund

There are no new standards, amendments to existing standards or interpretations that are effective for annual periods beginning on January 1, 2021 that have a material effect on the financial statements of the Fund.

(b) New standards, interpretations and amendments not yet adopted

A number of new standards, amendments to existing standards and interpretations are effective for annual periods beginning on or after January 1, 2022, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

13.2 Financial instruments

Classification and subsequent measurement

From January 1, 2018, the Fund has applied PFRS 9 and classifies its financial assets in the following measurement categories:

- at fair value through profit or loss (FVTPL),
- at fair value through other comprehensive income (FVOCI), and
- at amortized cost.

The classification requirements for equity and debt instruments are described below:

Equity investments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Fund subsequently measures all equity investments at FVTPL, except where the Fund's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, even on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as Dividend income when the Fund's right to receive payments is established. Gains and losses on equity investments at FVTPL or loss are included in the Fair value gains (losses), net on financial assets at FVTPL in the statements of total comprehensive income.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on the Fund's business model for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the Fund classifies its debt instruments into one of the following measurement categories:

- *Amortized cost*

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at fair value through profit or loss, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Amortized cost financial assets include cash and cash equivalents, investment in fixed income instruments and other receivables as at June 30, 2021 and 2020.

- *Financial assets at FVOCI*

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in the statement of total comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

As at June 30, 2021 and December 31, 2020, the Fund has no financial assets under the FVOCI category.

- *Financial assets at FVTPL*

Financial assets that do not meet the criteria for amortized cost or FVOCI and the collection of contractual cash flows is only incidental to achieving the Fund's business model objective are measured at fair value through profit or loss. A gain or loss on debt securities that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of total comprehensive income under Fair value gains (losses), net on financial assets at fair value through profit or loss in the period in which it arises. Financial assets at FVTPL consists of investments in government securities and unit investment trust funds as at June 30, 2021 and December 31, 2020.

Business model: The business model reflects how the Fund manages the financial assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of financial assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Fund in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Fund reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period. At January 1, 2019, the Fund reclassifies its debt investments from amortized cost to FVTPL measurement category, in accordance with its change in business model.

Impairment

The Fund assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost. The Fund recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL assessment is applied on financial assets at amortized cost such as cash and cash equivalents, investment securities at amortized cost and other assets.

Credit impaired financial assets (Investments - Stage 3)

Financial assets are assessed for credit impairment at each balance sheet date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the debtor is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the debtor or economic conditions that correlate with defaults. An asset that is in Stage 3 will move back to Stage 2 when, as at reporting date, it is no longer considered to be credit-impaired. The asset will transfer back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, and when there is sufficient evidence to support full collection of principal and interest due. Prior to the transfer to Stage 1, the asset should have exhibited both the quantitative and qualitative indicators of probable collection.

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and undrawn components, expected credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument.

When a financial asset is credit impaired, interest ceases to be recognized on the regular accrual basis, which accrues income based on gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortized cost of the asset, which is the gross carrying amount less related allowance for impairment. Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment.

As at June 30, 2021 and December 31, 2020, there are no credit-impaired financial assets.

Impairment of other financial assets

The Fund applies the simplified approach as permitted by PFRS 9 in measuring expected credit losses which uses a lifetime expected loss allowance for other financial assets.

To measure the expected credit losses, other financial assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of receivables over a period of 36 months before December 31, 2018 or January 1, 2018 respectively and corresponding historical credit losses experienced within this period. The forward-looking information on macroeconomic factors are considered insignificant in calculating impairment of other financial assets.

The Fund's other financial assets primarily composed of cash and cash equivalents, other financial assets at amortized cost and other assets are not impaired as at June 30, 2021 and December 31, 2020.

Accounting policies applied until December 31, 2017 (PAS 39)

The Fund has applied PFRS 9 retrospectively but has not elected to restate comparative information. As a result, the comparative period provided continues to be accounted for in accordance with the Fund's previous accounting policy.

Classification and subsequent measurement

The Fund classifies its financial assets in the following categories: (a) financial assets at FVTPL, (b) held-to-maturity, (c) loans and receivables and (d) AFS financial assets. The classification depends on the purpose for which the financial instruments were acquired or incurred and whether they are quoted in an active market. Management determines the classification of the Fund's financial instruments at initial recognition. The Fund does not hold any financial assets under category (b) during and as at June 30, 2021.

Financial assets at FVTPL

This category consists of financial assets that are held for trading or designated by management as at FVTPL on initial recognition. Derivative instruments, except those covered by hedge accounting relationships (none as at reporting date), are classified under this category.

Financial assets classified in this category are designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets 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 at FVTPL are recorded in the statement of financial position at fair value, with changes in fair value recorded in profit or loss, included under Fair value gains (losses). Interest earned is recorded in Interest income, while dividend income on equity instruments is recorded in profit or loss under Dividend income when the right to receive of the payment has been established. Gains or losses realized from the sale of financial assets at FVTPL are recorded in Fair value gains (losses) in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments 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 classified as financial assets held for trading, designated as AFS or FVTPL. This accounting policy applies to cash and cash equivalents, loans and receivables and accrued income.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. 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. The amortization is included in Interest income in profit or loss. The losses arising from impairment of such loans and receivables are recognized in Provision for impairment losses in profit or loss.

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

AFS financial assets are subsequently carried at fair value. Changes in the fair value of monetary and non-monetary securities classified as AFS are recognized directly in other comprehensive income, until the financial asset is derecognized or impaired at which time the cumulative fair value adjustments previously recognized in other comprehensive income should be recognized in profit or loss. However, interest is calculated on these securities using the effective interest method and foreign currency gains and losses on monetary assets classified as AFS are recognized in profit or loss. Dividends on equity instruments are recognized in profit or loss when the Fund's right to receive payment is established.

Impairment of financial assets

The Fund assesses at each reporting date whether 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 an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (a "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 debtor or a group of debtors 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 a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(a) Loans and receivables

For loans and receivables which are carried at amortized cost, the Fund first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics such as type of borrower, collateral type, past-due status and term, and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

The criteria that the Fund uses to determine if there is an objective evidence of impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

If there is an objective evidence that impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. If, in a subsequent period, the amount of estimated impairment loss decreases because of 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 had the impairment not been recognized at the reversal date.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. If an

instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of debtor, past-due status and term.

(b) AFS financial assets

The Fund assesses at each reporting date whether there is an objective evidence that a security classified as AFS is impaired. For debt securities, the Fund uses the same criteria being used for those financial assets at amortized cost.

For debt securities, if any such evidence exists the cumulative loss - measured as difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

For equity investments, a significant or prolonged decline in the fair value of security below its cost is also an evidence that the assets are impaired. If any such evidence exists the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses recognized on equity instruments are not reversed through profit or loss but are made directly to other comprehensive income.

Policies applied for all periods presented

Date of recognition

Financial assets are recognized in the statement of financial position when the Fund becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on trade date.

Initial recognition of financial assets

Financial assets not carried at FVTPL are initially recognized at fair value plus transaction costs. Financial assets carried at FVTPL are initially recognized at fair value, and transaction costs are recognized as expense in profit or loss.

Day 1 profit

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 observable market, the Fund recognizes the difference between the transaction price and fair value (a "Day 1" profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where variables are made of data which are not observable, the difference between the transaction price and model value is only recognized in profit or loss 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 profit amount.

Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition.

Classification and measurement of financial liabilities

The Fund classifies its financial liabilities at FVTPL or as other financial liabilities at amortized cost. The Fund does not hold any financial liabilities at FVTPL during and as at December 31, 2017.

Other financial liabilities at amortized cost

Issued financial instruments or their components, which are not designated as financial liabilities at FVTPL 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 the Fund's own equity shares.

Financial liabilities not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs.

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 effective interest rate.

This accounting policy applies to Accounts payable and accrued expenses (excluding taxes payable) and Due to fund manager.

Derecognition of financial assets and liabilities

Financial asset

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 right to receive cash flows from the asset has 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 right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Fund has transferred its right to receive cash flows from an asset 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.

Financial liability

A financial liability is derecognized when the obligation is discharged, or is 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 profit or loss.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the entity or the counterparty.

As at June 30, 2021 and December 31, 2020, there are no financial assets and liabilities that have been offset.

Other assets

Other assets are recognized in the event that payments have been made in advance of obtaining right of access to good or receipt of services and measured at nominal amounts. These are derecognized from the statement of financial position upon delivery of goods or services, through amortization over a period of time, and use of consumption.

Other assets are included in current assets, except when the related goods or services are expected to be received or rendered more than twelve (12) months after the reporting period, which are then classified as non-current assets.

Share capital

The Fund issues shares, which are redeemable at the holder's option and are classified as equity in accordance with PAS 32, Financial instruments: Presentation. Each share has the following features which support the equity classification:

- It entitles the holder to a pro rata share of the Fund's net assets in the event of the entity's liquidation;
- The share has no priority over other claims to the assets of the entity on liquidation, and it does not need to be converted into another instrument before it is classified as such; and
- All shares impose a contractual obligation on the Fund to deliver a pro rata share of its net assets on liquidation.

In addition, the Fund has no other financial instrument or contract that has:

- total cash flows based substantially on 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 (excluding any effects of such instrument or contract); and
- the effect of substantially restricting or fixing the residual return to the shareholders.

Should the redeemable shares' terms or conditions change such that they do not comply with the strict criteria as mentioned above, the redeemable shares would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying value of the equity instrument and fair value of the liability on the date of reclassification would be recognized in equity.

Redeemable shares can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's trading NAV calculated in accordance with the Fund's regulations. Redeemed shares are not cancelled but may be reissued in the future.

Share premium

Sales of shares are recorded by crediting Share capital at par value and Share premium for the amount received in excess of the par value; redemptions are recorded by debiting those accounts. In the event that the Share premium balance is exhausted as a result of redemptions, the Retained earnings account is reduced by redemptions in excess of par.

Retained earnings

Retained earnings represent the accumulated surplus of the Fund as at reporting date.

Deposits for future subscription

Deposits for future subscriptions represent funds received by the Fund with a view to applying the same as payment for a future additional issuance of shares either from its authorized but unissued shares, from a proposed increase in authorized share capital, or as share premium. Upon application with the SEC, the amount will be credited to equity while upon the SEC's approval, the amount is transferred to Share capital for the par value of the shares and Share premium for the amount in excess of the par value.

Based on SEC Bulletin No. 6, issued in January 2013, the Fund shall classify deposit for future share subscription as equity if and only if, all of the following are present at the end of the reporting period:

- (a) The unissued authorized share capital is insufficient to cover the amount of shares indicated in the contract;
- (b) There is BOD's approval on the proposed increase in authorized share capital (for which a deposit was received);
- (c) There is stockholders' approval of said proposed increase; and
- (d) The application for the approval of the proposed increase has been filed with the SEC.

If the criteria above are not met, the deposits for share subscriptions will be presented as liabilities in the statement of financial position.

Revenue recognition

Dividend income

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

Interest income

Interest income is presented gross of final tax and recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Fund reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and accretes the discount as interest income. Interest income on impaired financial asset carried at amortized cost is recognized using the original effective interest rate.

Other income

Other income is recognized when earned and when the Fund's right to receive payment is established.

Expenses

Expenses are recognized in the year in which they are incurred.

NAV per share

NAV per share is computed by dividing the net assets attributable to shareholders, including deposits for future subscriptions classified as liability, as at reporting date by the number of issued and outstanding shares during the year including shares for issuances covered by deposits for future subscriptions.

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Fund by the weighted average number of shares outstanding and shares covered by deposits for future subscriptions during the year.

Diluted earnings per share is computed in the same manner as basic earnings per share, however, profit attributable to shareholders and the weighted average number of shares are adjusted for the effects of all dilutive potential shares.

As at June 30, 2021 and 2020, there are no potential dilutive shares.

Taxation

The Fund is domiciled in the Philippines. Under the existing tax laws of the Philippines, a documentary stamp tax, included under Taxes and licenses in profit or loss, is payable by the Fund on original issue and subsequent sale or transfer of its redeemable shares.

The Fund's dividend income earned and received from another domestic corporation is not subject to tax, under the existing Tax Code.

The Fund has interest income from bank deposits and government securities which are subject to final withholding tax. Such income is presented at gross amount and the related final tax is presented as part of income tax expense in profit or loss.

Current and deferred income tax

Income tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of income tax expense in profit or loss.

Deferred income tax is recognized, using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses (net operating loss carry over or NOLCO) and unused tax credits (excess of minimum corporate income tax or MCIT) to the extent that it is probable that taxable profit will be available against which the deferred income tax asset can be utilized.

Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred income tax arises from the initial recognition of goodwill.

The carrying amount of deferred income tax asset is reviewed at each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. The Fund reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority and where there is an intention to settle the balances on a net basis.

Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible

related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties include: i) key management personnel, including directors; ii) entities that have the ability to control or exercise significant influence over the Fund in making financial or operational decisions; and iii) entities that are controlled, jointly controlled or significantly influenced by parties described in i) and ii).

Foreign currency transactions and translation

Functional and presentation currency

Subscriptions and redemptions of the Fund's redeemable shares are denominated in Philippine Peso. The performance of the Fund is measured and reported to the investors in Philippine Peso. The BOD considers the Philippine Peso as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Philippine Peso, which is the Fund's functional currency.

Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Events after the reporting date

Post year-end events that provide additional information about the Fund's financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial.