

**Manulife Global Multi-Asset  
Diversified Income Feeder Fund  
(Operated by the Manulife  
Investment Management and Trust  
Corporation)**

Financial Statements  
December 31, 2023 and 2022

and

Independent Auditor's Report



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Manulife Investment Management and Trust Corporation

### Opinion

We have audited the financial statements of the Manulife Global Multi-Asset Diversified Income Feeder Fund (the Fund) operated by the Manulife Investment Management and Trust Corporation (the Trust Corporation), which comprise the statements of net assets attributable to unitholders as of December 31, 2023 and 2022, and the related statements of comprehensive income and statements of changes in net assets attributable to unitholders for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund operated by the Trust Corporation as at December 31, 2023 and 2022 and its financial performance for the years then ended, in accordance with the Regulatory Accounting Principles (RAP) of the Bangko Sentral ng Pilipinas (BSP).

### Basis for Opinion

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

### Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements were prepared in accordance with RAP of the BSP, which differ from Philippine Financial Reporting Standards in some respects. These were prepared to assist the Trust Corporation in meeting the requirements of the BSP. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.



## **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 RAP of the BSP, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

SYCIP GORRES VELAYO & CO.



Bernalette L. Ramos

Partner

CPA Certificate No. 0091096

Tax Identification No. 178-486-666

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-081-2024, January 26, 2024, valid until January 25, 2027

PTR No. 10079998, January 6, 2024, Makati City

April 11, 2024



**MANULIFE GLOBAL MULTI-ASSET DIVERSIFIED INCOME FEEDER FUND  
(OPERATED BY THE MANULIFE INVESTMENT MANAGEMENT AND  
TRUST CORPORATION)**

**STATEMENTS OF NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Deposits in banks (Note 6)	<b>\$1,489,150</b>	\$818,067
Financial assets at fair value through profit or loss (Note 7)	<b>47,759,861</b>	16,190,908
Subscription and other receivables	<b>24,033</b>	473,235
<b>TOTAL ASSETS</b>	<b>\$49,273,044</b>	<b>\$17,482,210</b>
<b>ACCOUNTABILITIES</b>		
Accounts payable and accrued expenses (Note 8)	<b>\$171,079</b>	\$1,189,310
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		
(Note 11)	<b>\$49,101,965</b>	<b>\$16,292,900</b>
<b>NET ASSET VALUE PER UNIT (Note 11)</b>		
Class A (PHP)	<b>₱51.5772</b>	₱49.9230
Class I (PHP)	<b>₱56.4995</b>	₱53.3408
Class A (USD)	<b>\$0.9340</b>	\$0.8975
Class I (USD)	<b>\$0.9186</b>	\$0.8690

*See accompanying Notes to Financial Statements.*



**MANULIFE GLOBAL MULTI-ASSET DIVERSIFIED INCOME FEEDER FUND  
(OPERATED BY THE MANULIFE INVESTMENT MANAGEMENT AND  
TRUST CORPORATION)**

**STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Periods ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>INCOME (LOSS)</b>		
Dividend income (Note 7)	\$2,249,937	\$935,164
Trading and securities gains (losses) (Note 7)	2,220,477	(2,489,244)
Interest income (Note 6)	9,843	670
Foreign exchange losses	(15,961)	(14,168)
Other income	—	104
	<b>\$4,464,296</b>	<b>(\$1,547,474)</b>
<b>EXPENSES</b>		
Trust fees	\$236,137	\$220,646
Fund administration fees	5,094	2,462
Investment fees	3,962	2,460
Audit fees	1,794	6,679
	<b>\$246,987</b>	<b>\$232,247</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>\$4,217,309</b>	<b>(\$1,799,721)</b>
<b>PROVISION FOR FINAL TAX (Note 2)</b>	<b>94</b>	<b>1</b>
<b>NET INCOME (LOSS)/TOTAL COMPREHENSIVE INCOME (LOSS)*</b>	<b>\$4,217,215</b>	<b>(\$1,799,722)</b>

\* The Fund has no other comprehensive income items.

*See accompanying Notes to Financial Statements.*



**MANULIFE GLOBAL MULTI-ASSET DIVERSIFIED INCOME FEEDER FUND  
(OPERATED BY THE MANULIFE INVESTMENT MANAGEMENT AND  
TRUST CORPORATION)**

**STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE  
TO UNITHOLDERS**

	<b>Principal</b>	<b>Accumulated Income (Losses)</b>	<b>Total Net Assets Attributable to Unitholders</b>
<b>Balance as at January 1, 2023</b>	<b>\$17,844,113</b>	<b>(\$1,551,213)</b>	<b>\$16,292,900</b>
<b>Contributions</b>	<b>32,663,634</b>	<b>–</b>	<b>32,663,634</b>
<b>Withdrawals</b>	<b>(4,071,784)</b>	<b>–</b>	<b>(4,071,784)</b>
<b>Total comprehensive income</b>	<b>–</b>	<b>4,217,215</b>	<b>4,217,215</b>
<b>Balance as at December 31, 2023</b>	<b>\$46,435,963</b>	<b>\$2,666,002</b>	<b>\$49,101,965</b>
Balance as at January 1, 2022	\$11,783,739	\$248,509	\$12,032,248
Contributions	7,826,130	–	7,826,130
Withdrawals	(1,765,756)	–	(1,765,756)
Total comprehensive loss	–	(1,799,722)	(1,799,722)
Balance as at December 31, 2022	\$17,844,113	(\$1,551,213)	\$16,292,900

*See accompanying Notes to Financial Statements.*



# MANULIFE GLOBAL MULTI-ASSET DIVERSIFIED INCOME FEEDER FUND (OPERATED BY THE MANULIFE INVESTMENT MANAGEMENT AND TRUST CORPORATION)

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## NOTES TO FINANCIAL STATEMENTS

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### 1. General Information

Manulife Investment Management and Trust Corporation was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 1, 2017 to engage in the business of trust, other fiduciary business and investment management activities. The Bangko Sentral ng Pilipinas (BSP) granted the Certificate of Authority on June 5, 2017 and MIMTC received the official notification to operate and perform trust and other fiduciary business services on June 13, 2017. On April 28, 2021, the Securities and Exchange Commission approved the amendment of the Trust Corporation's legal name from Manulife Asset Management and Trust Corporation to Manulife Investment Management and Trust Corporation. The amendment was approved by majority vote of the Board of Directors (BOD) and by the stockholders on February 13, 2020.

MIMTC officially commenced its operations on September 14, 2017 and formally launched the Global Multi-Asset Diversified Income Feeder Fund (the Fund) on February 8, 2021.

MIMTC is a wholly owned subsidiary of The Manufacturers Life Insurance Co. (Phil.), Inc., a life insurance company incorporated and with principal place of business in the Philippines. The ultimate parent company is Manulife Financial Corporation, a publicly traded company incorporated in Canada and is listed in the Toronto Stock Exchange, Hong Kong Exchange, New York Stock Exchange and the Philippine Stock Exchange.

MIMTC's registered office address and principal place of business is at 10th Floor, NEX Tower, 6786 Ayala Avenue, Makati City.

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### 2. Summary of Material Accounting Policy Information

#### Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL) that have been measured at fair value.

The accompanying financial statements of the Fund operated by the Trust Corporation are presented in Philippine peso, which is its functional currency. All amounts are rounded off to the nearest peso values, unless otherwise indicated.

#### Statement of Compliance

The accompanying financial statements of the Fund are issued in compliance with the following BSP guidelines:

- BSP Memorandum dated October 16, 1990, as amended;
- Revised Manual of Accounts (MOA) for Trust, Other Fiduciary Business and Investment Management Activities dated February 14, 2002;
- BSP Circular No. 494, dated September 20, 2005;
- BSP Circular No. 609, dated May 26, 2008;
- BSP Circular No. 653, dated May 5, 2009;
- BSP Circular No. 813, dated September 27, 2013;
- BSP Circular No. 967, dated July 27, 2017;
- BSP Circular No. 1011, dated August 14, 2018;





- BSP Circular No. 1021 dated November 15, 2018;
- BSP Circular No. 1023 dated December 4, 2018; and
- BSP Circular No. 1075 dated February 13, 2020.

The financial statements of the Fund have been prepared in compliance with Regulatory Accounting Principles (RAP) of the BSP as indicated in BSP Circular No. 653, which differs from Philippine Financial Reporting Standards (PFRS) in some respects, as follows:

- No presentation of the statement of cash flows;
- The provisions of PFRS are only applied to accounts outstanding as of December 31, 2008 and thereafter;
- The amounts of allowance for credit losses on loans and receivables that trust institutions are required to recognize shall be the higher between the allowance calculated under PFRS and BSP-recommended valuation reserves;
- Trust institutions are allowed to prepare the financial statements on a single year basis in the initial year of PFRS adoption;
- Only general description on risk management of financial instruments shall be disclosed in the financial statements; and
- Market prices for the valuation of government securities shall be based on the weighted average of done or executed deals in a trading market registered with the SEC.

On February 13, 2020, the BSP issued Circular No. 1075 setting out the reportorial requirements and deadline for submission of reports and certifications that external auditors are required to submit to the BSP and the disclosure requirements to Audited Financial Statements (AFS) indicating the disclosures which shall be retained as part of specific account disclosures in the notes to the AFS and those that will be included in the supplementary information.

On August 18, 2022, the BSP issued Circular No. 1152 stating that the trust entity (TE) shall submit the audited financial statements for each unit investment trust fund (UITF) to the appropriate supervising department of the Bangko Sentral within 180 calendar days following the close of the calendar or fiscal year adopted by the TE.

#### Presentation of Financial Statements

The statement of net assets attributable to unitholders of the Fund is presented in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 9.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards that became effective in 2023. The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Fund.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*



## **Material Accounting Policy Information**

### Fair value measurement

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

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

The principal or the most advantageous market must be accessible to the Trust Corporation, on behalf of the unitholders.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

The Trust Corporation, on behalf of the unitholders, determines the policies and procedures for both recurring fair value measurement and non-recurring measurement.



At each reporting date, the Trust Corporation, on behalf of the unitholders, analyzes the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Trust Corporation's accounting policies. For this analysis, the Trust Corporation, on behalf of the unitholders, verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Trust Corporation, on behalf of the unitholders, has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair value-related disclosures of financial instruments that are measured at fair value or where fair values are disclosed are included in Note 5.

#### Cash equivalents

Short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in value are classified as cash equivalents.

#### Financial Instruments - Initial Recognition and Subsequent Measurement

##### *Date of recognition*

Financial instruments are recognized in the statement of net assets attributable to unitholders when the Trust Corporation, on behalf of the unitholders, 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 settlement date.

##### *Initial measurement of financial assets*

Financial assets are recognized initially at fair value. Except for financial assets at FVPL, the initial measurement includes transaction costs.

##### *Classification and measurement of financial assets*

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

#### a. Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the outstanding principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for credit losses, with the interest calculated recognized as 'Interest income' in the statement of income. Gains and losses are recognized in the statement of income when these assets are derecognized or impaired, as well as through the amortization process. The impairment loss is recognized in the statement of income under 'Other expenses'. The effects of revaluation on foreign currency-denominated assets are recognized in the statement of income.



The Trust Corporation, on behalf of the unitholders, classified 'Deposits in banks', 'Interest receivable' and 'Subscription and other receivables' as financial assets at amortized cost.

The Trust Corporation, on behalf of the unitholders, may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. As of December 31, 2023 and 2022, the Trust Corporation, on behalf of the unitholders, has not made such designation.

b. Financial Assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the statement of net assets attributable to unitholders at fair value with net changes in fair value recognized in the statement of income under 'Trading and securities gains (losses)'. Interest earned on these investments is reported as 'Interest income' in the statement of income.

The financial assets at FVPL include investments in mutual funds that are mandatorily measured at FVPL.

*Reclassification of financial assets*

The Trust Corporation, on behalf of the unitholders, can reclassify financial assets if the objective of its business model for managing those financial assets changes. Reclassification of financial assets designated as at FVPL at initial recognition is not permitted. A change in the objective of the business model must be effected before the reclassification date. The reclassification date is the beginning of the next statement of net assets attributable to unitholders date following the change in the business model.

*Impairment of Financial Assets*

The Trust Corporation, on behalf of the unitholders, recognizes an ECL for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Trust Corporation, on behalf of the unitholders, expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Trust Corporation, on behalf of the unitholders, assesses on a forward-looking basis the ECL associated with debt instrument financial assets not measured at FVPL.



For deposits in banks, interest receivable and subscription and other receivables, the Trust Corporation, on behalf of the unitholders, applies the low credit risk simplification. The Trust Corporation, on behalf of the unitholders, considers a debt financial asset to have low credit risk when its credit risk rating is equivalent to the definition of investment grade. At every reporting date, the Trust Corporation, on behalf of the unitholders, evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort.

The Trust Corporation, on behalf of the unitholders, considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Trust Corporation, on behalf of the unitholders, may also consider a financial asset to be in default when internal or external information indicates that the Trust Corporation, on behalf of the unitholders, is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Trust Corporation, on behalf of the unitholders. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### 'Day 1' difference

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

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of net assets attributable to unitholders if, and only if, there is a legally enforceable right to set off the recognized amounts and the Trust Corporation, on behalf of the unitholders, intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Trust Corporation, on behalf of the unitholders, assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Fund and all of the counterparties.

#### Derecognition of Financial Assets and Liabilities

##### *Financial assets*

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

- The right to receive cash flows from the asset has expired;
- The Fund operated by the Trust Corporation has transferred the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the Fund operated by the Trust Corporation:
  - 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 over the asset.



Where the Fund operated by the Trust Corporation has transferred the 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 over the asset, the asset is recognized to the extent of continuing involvement of the Fund operated by the Trust Corporation in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Trust Corporation, on behalf of the unitholders, could be required to pay.

#### *Financial liabilities*

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

#### Redeemable Units

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

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

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

- total cash flows based substantially on the profit and loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund; and
- the effect of substantially restricting or fixing the residual return to the puttable instrument holders.

The Fund's redeemable units meet the definition of puttable instruments classified as equity instruments under PAS 32, *Financial Instruments: Presentation*. Consequently, the Fund's redeemable units have been classified as equity instruments.

The issuance, acquisition and resale of redeemable units are accounted for as equity transactions. Upon issuance of units, the consideration received is included in equity. Redemptions are recorded as deductions from equity.

#### Net Asset Value per Unit

Net Asset Value (NAV) per unit is computed by dividing net assets attributable to unitholders (total assets less total accountabilities) by the total number of units issued and outstanding at the reporting date.



### Income Taxes

Taxes substantially represent final withholding tax of 20.00% on peso interest earnings.

### Revenue outside the scope of PFRS 15

#### *Trading and securities gains*

Trading and securities gains represent results arising from trading activities. Unrealized gains and losses comprise changes in the fair value of financial assets at FVPL for the period and from reversal of the prior period's unrealized gains and losses for financial assets at FVPL which were realized in the reporting period. Realized gains and losses on disposals of financial assets at FVPL represent the difference between the financial asset's initial carrying amount and disposal amount.

#### *Interest*

For all financial instruments measured at amortized cost, interest income is recorded at the EIR.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the EIR, the Trust Corporation, on behalf of the unitholders, estimates cash flows from the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the EIR, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets carried at amortized cost has been written down as a result of an impairment loss, interest income is recognized thereafter using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

For debt financial assets at FVPL, interest income is recorded using the contractual interest rate.

### Expense Recognition

The Trust Corporation, on behalf of the unitholders, recognizes expense when there has been a decrease of an asset or increase in a liability that can be measured reliably.

The Trust Corporation, on behalf of the unitholders, immediately recognizes an expense when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

#### *Trust fees and other fees (management and administration fees)*

Trust fees and other fees are being charged to the trust funds based on a percentage of the fund or trust assets managed over a relevant period of time. Trust fees and other fees are recognized as incurred.

### Provisions

Provisions are recognized when the Trust Corporation, on behalf of the unitholders, has a present legal or constructive obligation as a result of past events and it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.



Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and where appropriate, the risks specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Trust Corporation, on behalf of the unitholders, expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in statement of income, net of any reimbursement.

#### Contingencies

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

#### Events After the Reporting Date

Post year-end events that provide additional information about the financial position of the Fund operated by the Trust Corporation at the 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.

#### Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Except as otherwise indicated, the Trust Corporation, on behalf of the unitholders, expects that the adoption of these new and amended PFRS and PAS will not have any significant impact on disclosures, financial position or performance of the Fund when adopted as they become effective.

##### *Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

##### *Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

##### *Deferred effectivity*

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

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### **3. Significant Accounting Judgments and Estimates**

The preparation of the financial statements in compliance with RAP of the BSP, which differs from PFRS in some respects, requires the Trust Corporation, on behalf of the unitholders, to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses, and disclosures of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any changes in estimates will be reflected in the financial statements as they become reasonably determinable.





Judgments and estimates 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.

#### Judgments

In the process of applying the Trust Corporation's accounting policies, management has made the judgment below which has the most significant effect on the amounts recognized in the financial statements:

##### *Business model assessment for financial assets*

The Trust Corporation, on behalf of the unitholders, determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that effect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows received)

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

#### Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risks of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

##### *Impairment of financial assets*

The Trust Corporation, on behalf of the unitholders, maintains an allowance for credit losses in accordance with PFRS 9 and BSP regulations. The measurement of impairment losses under PFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

For deposits in banks and subscription and other receivables, the allowance estimate is determined by obtaining the point-in-time probability of default (PD) and loss given default (LGD) of the counterparties from market sources and multiplying these inputs with the exposure at default (EAD). The PD is an estimate of the likelihood of default over a given time horizon. Depending on whether there has been a significant increase in credit risk relating to these financial assets, the PD used is either the 12-month PD or lifetime PD. The LGD is an estimate of loss arising in the case where a default occurs at a given time. The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principals and interest, whether scheduled by contract or otherwise.

As of December 31, 2023 and 2022, allowance for credit losses were not recognized on deposits in banks and subscription and other receivables as the Trust Corporation, on behalf of the unitholders, assessed that the amounts are insignificant.



#### 4. Financial Risk Management Objectives and Policies

The Trust Corporation, on behalf of the unitholders, believes that effective risk management shall not only measure potential or actual losses but will likewise optimize earnings. Its risk mission and objectives target periodic, consistent and accurate measurement of risks for more effective management. It is also an objective to always consider risk and return on all transactions and exposures to ensure adequate returns on principal contributions. Risk mitigation strategies form part of risk management activities.

##### General Risk Management Structure

The Trust Corporation's risk management program is a continuing, proactive and systematic process that focuses on the identification and assessment of financial risks guided by the principles set out in its risk management framework and seeks to implement the policies, procedures and guidelines established by the Trust Corporation's Risk Management Committee.

##### Risk Measurement and Reporting

The Fund is exposed to credit risk, liquidity risk and market risk. The management of the Trust Corporation reviews the policies for managing each risk which are summarized as follows:

##### Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to perform its obligations during the life of the instrument. This includes risk of non-payment by borrowers or issuers, failed settlement of transactions and default on contracts. The risk management structure, policies, accountabilities and responsibilities, controls and senior management involvement is similarly in place for non-performing assets.

##### *Maximum exposure to credit risk*

Maximum exposure to credit risk for financial assets would approximate their carrying values as of December 31, 2023 and 2022 since no collaterals are held against these financial assets.

As of December 31, 2023 and 2022, the distribution of financial assets by industry sector follow:

2023				
	Deposits in Banks	Financial Assets at FVPL	Subscription and other receivables	Total
Financial intermediaries	\$1,489,150	\$47,759,861	\$73	\$49,249,084
Others	—	—	23,960	23,960
	<b>\$1,489,150</b>	<b>\$47,759,861</b>	<b>\$24,033</b>	<b>\$49,273,044</b>

  

2022				
	Deposits in Banks	Financial Assets at FVPL	Subscription and other receivables	Total
Financial intermediaries	\$818,067	\$16,190,908	\$17	\$17,008,992
Others	—	—	473,218	473,218
	<b>\$818,067</b>	<b>\$16,190,908</b>	<b>\$473,235</b>	<b>\$17,482,210</b>



### *Credit quality*

It is the Trust Corporation's policy to maintain accurate and consistent risk ratings across the financial assets which facilitates focused management of applicable risks. Description of the risk ratings are as follows:

Aaa to Aa3	Best quality to upper-medium grade obligations
Baa1 to Ba3	Neither highly protected nor poorly secured
Unrated	Financial assets do not carry risk ratings

The Trust Corporation's assessment of the quality of the financial assets based on the risk ratings as of December 31, 2023 and 2022 is summarized in the table below:

	2023			
	Aaa to Aa3	Baa1 to Ba3	Unrated	Total
Deposits in banks	\$–	\$–	\$1,489,150	\$1,489,150
Financial assets at FVPL	–	47,759,861	–	47,759,861
Subscription and other receivables	–	–	24,033	24,033
<b>Total</b>	<b>\$–</b>	<b>\$47,759,861</b>	<b>\$1,513,183</b>	<b>\$49,273,044</b>

  

	2022			
	Aaa to Aa3	Baa1 to Ba3	Unrated	Total
Deposits in banks	\$–	\$–	\$818,067	\$818,067
Financial assets at FVPL	–	16,190,908	–	16,190,908
Subscription and other receivables	–	473,218	17	473,235
<b>Total</b>	<b>\$–</b>	<b>\$16,664,126</b>	<b>\$818,084</b>	<b>\$17,482,210</b>

As of December 31, 2023 and 2022, the Fund operated by the Trust Corporation has no financial assets that are in Stage 2 or Stage 3.

### Liquidity Risk

Liquidity risk arises from potential inability to meet all payment obligations when they become due or from the inability of the fund to service withdrawals. It likewise arises from failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

Analysis of financial assets and liabilities into maturity groupings is based on the contractual date on which these assets will be realized or these liabilities will be paid. The Trust Corporation, on behalf of the unitholders, categorizes financial assets and liabilities with no maturity into the "On demand" bucket. For other financial assets and liabilities, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized or the liabilities will be settled.

As of December 31, 2023 and 2022, the contractual undiscounted cash flows of financial assets of the Fund operated by the Trust Corporation amounting to \$49,273,044 and \$17,482,210 respectively, fall within one year from the reporting date.

In managing liquidity risk, the Trust Corporation is guided by relevant provisions of BSP Circular No. 545, *Guidelines on Liquidity Risk Management*.



Liquidity risk management safeguards the ability of the Fund operated by the Trust Corporation to meet its cash flow requirements. The Fund operated by the Trust Corporation maintains a liquidity reserve of five to ten percent (5%-10%) of the net value of the trust assets to cover the redemptions from investors or withdrawals.

#### Market Risk

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

#### *Foreign Currency risk*

Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Fund's functional currency. The Fund's exposure to foreign currency exchange risk arises from its peso-denominated deposits in bank, subscription and other receivables, and accounts payable.

The BOD is responsible for managing the net foreign exchange position of the Trust Corporation, on behalf of the trustors. Only a minimal amount of foreign currency-denominated monetary assets and liabilities is maintained at any given time.

The following table shows the sensitivity to a reasonably possible change in Philippine Peso exchange rate, with all other variables held constant, of income before tax as of December 31, 2023 and 2022:

U.S. Dollar Appreciation (Depreciation) vis-à-vis Philippine Peso	2023	2022
+10%	(\$84,431)	(\$9,164)
-10%	\$84,431	\$9,164

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## 5. Fair Value of Financial Instruments

The methods and assumptions used by the Trust Corporation, on behalf of the unitholders, in estimating the fair value of the financial instruments are:

#### *Deposits in banks, subscription and other receivables and accounts payable and accrued expenses*

The carrying amounts approximate fair values considering that these accounts are short-term in nature.

#### *Investment in mutual funds*

Fair values are determined by reference to the published net asset value (NAV) per unit.

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## 6. Deposits in Banks

Deposits in banks consist of peso and dollar savings accounts amounting to \$1.49 million and \$0.82 million which earned interest of 0.0074% to 0.30% and 0.0074% per annum in 2023 and 2022, respectively. Interest income for the period 2023 and 2022 amounted to \$9,843 and \$670, respectively.



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## 7. Financial Assets at Fair Value through Profit or Loss

As of December 31, 2023 and 2022, this account consists of investments in mutual funds amounting to \$47.76 million and \$16.19 million, respectively.

The related 'Trading and securities gains (losses)' recognized in the statements of comprehensive income for the year ended December 31, 2023 and 2022 amounted to \$2,220,477 and (\$2,489,244), respectively.

Dividend income recognized from these investments in 2023 and 2022 amounted to \$2,249,937 and \$935,164, respectively.

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## 8. Accounts Payable and Accrued Expenses

This account consists of:

	2023	2022
Unsettled redemptions	\$144,573	\$11,196
Accrued expenses	26,506	23,692
Unsettled purchases	–	1,154,422
	<b>\$171,079</b>	<b>\$1,189,310</b>

Unsettled purchases and unsettled redemptions are usually settled within five (5) days from transaction date.

Accrued expenses consist of:

	2023	2022
Trust fees	\$21,675	\$19,265
Audit fees	4,175	4,189
Fund administration fees	649	210
Investment fees	7	28
	<b>\$26,506</b>	<b>\$23,692</b>

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## 9. Maturity Analysis of Assets and Accountabilities

As of December 31, 2023 and 2022, all of the Fund's assets and liabilities are expected to be recovered or settled in less than one year from the reporting date.

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## 10. Trust Reserves

BSP Circular No. 447 states that the Fund shall be exempted from the provisions on statutory and liquidity reserves of the manual of regulations applicable to trust funds in general.



## 11. NAV Per Unit

NAV per unit of the Fund consists of the following share classes:

- *Class A (PHP and USD)*  
These are units available for investment by retail investors that are not eligible to subscribe to Class I.
- *Class I (PHP and USD)*  
These are units available for investment only by institutional investors with bespoke (segregated) accounts managed by the Trust Corporation. These are units with zero management fee since management fee of the Trust Corporation is charged at the bespoke account level.

The NAV per unit of the Fund as of December 31, 2023 and 2022 is computed as follows:

### *USD Share Classes*

	2023	
	Class A	Class I
NAV	\$4,243,372	\$220,328
Outstanding units	4,543,114	239,853
NAV per unit	\$0.9340	\$0.9186

### *Peso Share Class*

	2023	
	Class A	Class I
NAV	₱579,922,242	₱1,891,770,154
Outstanding units	11,243,781	33,482,925
NAV per unit	₱51.5772	₱56.4995

### *USD Share Classes*

	2022	
	Class A	Class I
NAV	\$3,065,744	\$208,424
Outstanding units	3,415,824	239,853
NAV per unit	\$0.8975	\$0.8690

### *Peso Share Class*

	2022	
	Class A	Class I
NAV	₱548,644,170	₱177,194,774
Outstanding units	10,989,802	3,321,936
NAV per unit	₱49.9230	₱53.3408



The total outstanding balance of Class A (USD) shares, Class I (USD), Class A (PHP) shares, and Class I (PHP) shares as of December 31, 2023 and 2022 are \$49,101,965 and \$16,292,900, respectively. Subscriptions and withdrawals are translated using foreign exchange rate at transaction date.

The movements in the number of units are as follows:

***USD Share Classes***

	2023	
	Class A	Class I
<b>Balance at beginning of year</b>	<b>3,415,824</b>	<b>239,853</b>
<b>Issuances</b>	<b>1,247,102</b>	<b>–</b>
<b>Redemptions</b>	<b>(119,812)</b>	<b>–</b>
<b>Balance at end of year</b>	<b>4,543,114</b>	<b>239,853</b>

***Peso Share Classes***

	2023	
	Class A	Class I
<b>Balance at beginning of year</b>	<b>10,989,802</b>	<b>3,321,936</b>
<b>Issuances</b>	<b>2,242,421</b>	<b>30,185,015</b>
<b>Redemptions</b>	<b>(1,988,442)</b>	<b>(24,026)</b>
<b>Balance at end of year</b>	<b>11,243,781</b>	<b>33,482,925</b>

***USD Share Classes***

	2022	
	Class A	Class I
Balance at beginning of year	2,795,896	80,922
Issuances	978,522	158,931
Redemptions	(358,594)	–
Balance at end of year	3,415,824	239,853

***Peso Share Classes***

	2022	
	Class A	Class I
Balance at beginning of year	8,369,061	–
Issuances	3,594,120	3,337,404
Redemptions	(973,379)	(15,467)
Balance at end of year	10,989,802	3,321,936

## 12. Approval of the Release of the Financial Statements

The accompanying financial statements of the Fund were approved and authorized for issue by the Board of Directors of the Trust Corporation on April 11, 2024.

