

# ***PAMI Global Bond Fund, Inc.***

**(An Open-End Mutual Fund  
Company)**

**Financial Statements**

**As at December 31, 2013 and 2012 and for each of the  
three years in the period ended December 31, 2013**



## **Independent Auditor's Report**

To the Board of Directors and Shareholders of  
**PAMI Global Bond 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 Financial Statements***

We have audited the accompanying financial statements of PAMI Global Bond Fund, Inc., which comprise the statements of financial position as at December 31, 2013 and 2012, and the statements of total comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditor's Report  
To the Board of Directors and Shareholders of  
PAMI Global Bond Fund, Inc.  
(An Open-End Mutual Fund Company)  
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*Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PAMI Global Bond Fund, Inc. as at December 31, 2013 and 2012, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

***Report on Bureau of Internal Revenue Requirements***

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.**

A handwritten signature in black ink, appearing to read 'Zaldy D. Aguirre', written over a horizontal line.

Zaldy D. Aguirre  
Partner  
CPA Cert No. 105660  
P.T.R. No. 0024447, issued on January 3, 2014, Makati City  
SEC A.N. (individual) as general auditors 1176-A, Category A; effective until January 4, 2015  
SEC A.N. (firm) as general auditors 0009-FR-3; effective until August 15, 2015  
TIN 221-755-698  
BIR A.N. 08-000745-77-2012, issued on February 9, 2012; effective until February 8, 2015  
BOA/PRC Reg. No. 0142, effective until December 31, 2016

Makati City  
April 13, 2014

**PAMI Global Bond Fund, Inc.**  
(An Open-End Mutual Fund Company)

Statements of Financial Position  
December 31, 2013 and 2012

	Notes	2013		2012	
		In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos
<u>ASSETS</u>					
Cash in banks	5	151,314	6,718,039	146,457	6,012,060
Financial assets at fair value through profit or loss	6	3,787,515	168,158,091	5,949,435	244,224,307
Loans and receivables	3	15	666	54	2,217
Interest receivable		38,435	1,706,437	54,043	2,218,465
<b>Total assets</b>		<b>3,977,279</b>	<b>176,583,233</b>	<b>6,149,989</b>	<b>252,457,049</b>
<u>LIABILITIES AND EQUITY</u>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	7	50,353	2,235,570	67,431	2,768,052
Due to PAMI	12	16,847	747,973	9,907	406,682
<b>Total liabilities</b>		<b>67,200</b>	<b>2,983,543</b>	<b>77,338</b>	<b>3,174,734</b>
<b>EQUITY</b>					
Share capital	8	33,625	2,029,099	49,448	2,700,462
Share premium		3,144,433	176,671,399	4,977,988	254,468,362
Translation adjustment		-	(40,868,851)	-	(56,943,291)
Retained earnings		732,021	35,768,043	1,045,215	49,056,782
<b>Total equity</b>		<b>3,910,079</b>	<b>173,599,690</b>	<b>6,072,651</b>	<b>249,282,315</b>
<b>Total liabilities and equity</b>		<b>3,977,279</b>	<b>176,583,233</b>	<b>6,149,989</b>	<b>252,457,049</b>

The notes on pages 1 to 33 are an integral part of these financial statements.

**PAMI Global Bond 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, 2013

	Notes	2013		2012		2011	
		In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos
<b>INCOME</b>							
Interest income	9	129,570	5,497,603	168,477	7,116,014	248,586	10,765,958
Fair value gains, net	6	-	-	93,112	3,932,800	166,447	7,208,657
Foreign exchange gains, net	3	-	-	10,313	435,593	3,288	142,361
Other		-	-	199	8,405	64	2,772
		129,570	5,497,603	272,101	11,492,812	418,385	18,119,748
<b>EXPENSES</b>							
Fair value losses, net	6	290,756	12,336,661	-	-	-	-
Management fees	12	104,042	4,414,460	139,982	5,912,462	196,851	8,525,379
Fees and other charges	10	26,005	1,103,382	21,724	917,563	27,661	1,197,964
Foreign exchange losses, net	3	4,903	208,032	-	-	-	-
Taxes, licenses and other fees		2,653	112,566	716	30,242	1,455	63,014
Miscellaneous		757	32,119	194	8,194	10,251	443,958
		429,116	18,207,220	162,616	6,868,461	236,218	10,230,315
(LOSS) PROFIT BEFORE INCOME TAX		(299,546)	(12,709,617)	109,485	4,624,351	182,167	7,889,433
INCOME TAX EXPENSE	11	-	-	53	2,185	-	-
NET (LOSS) PROFIT FOR THE YEAR		(299,546)	(12,709,617)	109,432	4,622,166	182,167	7,889,433
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>							
Item that may be subsequently reclassified to profit or loss							
Translation adjustment		-	16,074,440	-	(19,172,831)	-	96,761
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		(299,546)	(3,364,823)	109,432	(14,550,665)	182,167	7,986,194
<b>BASIC AND DILUTED (LOSS) EARNINGS PER SHARE</b>							
	8	(0.08)	(3.30)	0.02	0.91	0.03	1.14

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**PAMI Global Bond 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, 2013

	Note	Share capital		Share premium		Translation adjustment	Retained earnings		Total	
		In US	In Philippine	In US	In Philippine	In Philippine	In US	In Philippine	In US	In Philippine
		Dollars	Pesos	Dollars	Pesos	Pesos	Dollars	Pesos	Dollars	Pesos
Balance at January 1, 2011		86,222	4,292,770	9,151,227	435,125,803	(37,867,221)	967,397	45,829,103	10,204,846	447,380,455
Comprehensive income										
Net profit for the year		-	-	-	-	-	182,167	7,889,433	182,167	7,889,433
Other comprehensive income										
Translation adjustment		-	-	-	-	96,761	-	-	-	96,761
Total comprehensive income for the year		-	-	-	-	96,761	182,167	7,889,433	182,167	7,986,194
Transactions with shareholders	8									
Proceeds from issuance of shares		4,561	199,954	604,165	26,486,594	-	-	-	608,726	26,686,548
Payments for shares redeemed		(28,938)	(1,268,642)	(3,344,071)	(146,604,073)	-	(158,629)	(6,954,294)	(3,531,638)	(154,827,009)
Total transactions with shareholders		(24,377)	(1,068,688)	(2,739,906)	(120,117,479)	-	(158,629)	(6,954,294)	(2,922,912)	(128,140,461)
Balance at December 31, 2011		61,845	3,224,082	6,411,321	315,008,324	(37,770,460)	990,935	46,764,242	7,464,101	327,226,188
Comprehensive income										
Net profit for the year		-	-	-	-	-	109,432	4,622,166	109,432	4,622,166
Other comprehensive income										
Translation adjustment		-	-	-	-	(19,172,831)	-	-	-	(19,172,831)
Total comprehensive income for the year		-	-	-	-	(19,172,831)	109,432	4,622,166	109,432	(14,550,665)
Transactions with shareholders	8									
Proceeds from issuance of shares		829	35,011	99,274	4,193,066	-	-	-	100,103	4,228,077
Payments for shares redeemed		(13,226)	(558,631)	(1,532,607)	(64,733,028)	-	(55,152)	(2,329,626)	(1,600,985)	(67,621,285)
Total transactions with shareholders		(12,397)	(523,620)	(1,433,333)	(60,539,962)	-	(55,152)	(2,329,626)	(1,500,882)	(63,393,208)
Balance at December 31, 2012		49,448	2,700,462	4,977,988	254,468,362	(56,943,291)	1,045,215	49,056,782	6,072,651	249,282,315

(Forward)

**PAMI Global Bond 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, 2013

	Note	Share capital		Share premium		Translation adjustment	Retained earnings		Total	
		In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos	In Philippine Pesos	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos
Balance at December 31, 2012		49,448	2,700,462	4,977,988	254,468,362	(56,943,291)	1,045,215	49,056,782	6,072,651	249,282,315
Comprehensive loss										
Net loss for the year		-	-	-	-	-	(299,546)	(12,709,617)	(299,546)	(12,709,617)
Other comprehensive income										
Translation adjustment		-	-	-	-	16,074,440	-	-	-	16,074,440
Total comprehensive loss for the year		-	-	-	-	16,074,440	(299,546)	(12,709,617)	(299,546)	3,364,823
Transactions with shareholders										
	8									
Proceeds from issuance of shares		175	7,426	20,586	873,455	-	-	-	20,761	880,881
Payments for shares redeemed		(15,998)	(678,789)	(1,854,141)	(78,670,418)	-	(13,648)	(579,122)	(1,883,787)	(79,928,329)
Total transactions with shareholders		(15,823)	(671,363)	(1,833,555)	(77,796,963)	-	(13,648)	(579,122)	(1,863,026)	(79,047,448)
Balance at December 31, 2013		33,625	2,029,099	3,144,433	176,671,399	(40,868,851)	732,021	35,768,043	3,910,079	173,599,690

The notes on pages 1 to 33 are an integral part of these financial statements.

**PAMI Global Bond Fund, Inc.**  
(An Open-End Mutual Fund Company)

Statements of Cash Flows  
For each of the three years in the period ended December 31, 2013

	Notes	2013		2012		2011	
		In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Net cash generated from operations	14	1,874,818	79,636,343	1,579,985	79,843,929	2,822,757	123,797,061
Income taxes paid		-	-	(53)	(2,185)	-	-
Net cash generated from operating activities		1,874,818	79,636,343	1,579,932	79,841,744	2,822,757	123,797,061
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Proceeds from issuance of shares	8	20,761	880,881	100,103	4,228,077	608,726	26,686,548
Payments for shares redeemed	8	(1,883,787)	(79,928,329)	(1,600,985)	(67,621,285)	(3,531,638)	(154,827,009)
Net cash used in financing activities		(1,863,026)	(79,047,448)	(1,500,882)	(63,393,208)	(2,922,912)	(128,140,461)
NET INCREASE (DECREASE) IN CASH IN BANKS		11,792	588,895	79,050	16,448,536	(100,155)	(4,343,400)
<b>CASH IN BANKS</b>							
January 1		146,457	6,012,060	95,237	4,175,190	192,104	8,421,829
Effect of exchange rate changes		(6,935)	117,084	(27,830)	(14,611,666)	3,288	96,761
December 31		151,314	6,718,039	146,457	6,012,060	95,237	4,175,190

The notes on pages 1 to 33 are an integral part of these financial statements.



**PAMI Global Bond Fund, Inc.**  
(An Open-End Mutual Fund Company)

Notes to Financial Statements

As at December 31, 2013 and 2012 and for each of the  
three years in the period ended December 31, 2013

**Note 1 - General information**

PAMI Global Bond Fund, Inc. (the “Fund”) is an open-end mutual fund company engaged in the sale of its shares of stock in United States Dollar (“USD”), the proceeds of which are invested in fixed income securities denominated in Australian Dollar (“AUD”), British Pound (“GBP”), Canadian Dollar (“CAD”), Denmark Kroner (“DKK”), Euro (“EUR”), Japanese Yen (“JPY”), Malaysian Ringgit (MYR), Mexico New Peso (“MXN”), Norwegian Krone (“NOK”), New Zealand Dollar (“NZD”), Polish Zloty (“PLN”), Swedish Krona (“SEK”), Swiss Franc (“CHF”), and South African Rand (“ZAR”). It was registered with the Securities and Exchange Commission (“SEC”) on March 19, 2007 under the Investment Company Act of 1960 or Republic Act 2629 and The Revised Securities Act or Batas Pambansa Blg. 178 and started operations on December 10, 2007. As an open-end mutual dollar fund company, its outstanding shares of stock 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 records of securities registration are shown in Note 8.

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. Philam Asset Management, Inc. (“PAMI”), a wholly-owned subsidiary of The Philippine American Life and General Insurance Company (“Philam Life”), acts as the Fund manager. PAMI also serves as adviser, administrator and distributor of the Fund and provides management, distribution and all required operational services.

The financial statements have been approved and authorized for issue by the Fund’s Board of Directors (“BOD”) on April 1, 2014. There are no material events that occurred subsequent to April 1, 2014 until April 13, 2014.

## **Note 2 - 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 years presented, unless otherwise stated.

### **2.1 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 fair value through profit or loss ("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 areas involving a higher degree of judgment or complexity significant to the financial statements are disclosed in Note 4. There are no areas where assumptions and estimates are significant to the financial statements.

### **Changes in accounting policy and disclosures**

#### *(a) New and amended standards adopted by the Fund*

The following standard has been adopted by the Fund effective January 1, 2013 and has a material impact on the Fund:

- *PAS 1 (Amendment), Financial Statement Presentation - Other Comprehensive Income* (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The required change in presentation has been effected in the statements of total comprehensive income.
- *PFRS 13, Fair Value Measurement* (effective January 1, 2013). This new standard aims to improve consistency and reduce complexity by providing a clarified definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements, which are largely aligned with IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within PFRS. Apart from the additional disclosures required by PFRS 13, there is no other significant impact on the financial statements as the current fair value measurement followed by the Fund is already consistent with the requirements of the new standard. See Note 3 for the disclosures required by the new standard.

There are no other standards and amended standards that became effective for the first time for the financial year beginning January 1, 2013 that had a material impact on the Fund's financial statements.

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

A number of new standards and amendments to standards and interpretations are effective beginning after January 1, 2013, and have not been early adopted by the Fund. The relevant standard and the assessment of its impact is discussed below:

- *PFRS 9, Financial Instruments.* This new standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of PAS 39, Financial Instruments: Recognition and Measurement, that relate to the classification and measurement of financial instruments, and hedge accounting. PFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the PAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. PFRS also details the changes in requirements to hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. The mandatory effective date of PFRS 9, which is for annual periods beginning January 1, 2015 has been deferred and left open pending the finalization of the impairment classification and measurement requirements. The Fund has yet to assess the full impact of PFRS 9 and intends to adopt PFRS 9 upon completion of the IASB project. The Fund will also consider the impact of the remaining phases of PFRS 9 when issued.

There are no other standards, amendments and interpretations that are not yet effective that would be expected to have a material impact on the Fund's financial statements.

## **2.2 Cash in banks**

Cash in banks include deposits held at call with banks. They are carried at face amount.

## **2.3 Financial instruments**

### *Date of recognition*

Financial instruments are recognized in the statements 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.

### *Initial recognition of financial instruments*

Financial instruments not carried at FVTPL are initially recognized at fair value plus transaction costs. Financial instruments 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.

### *Classification of financial instruments*

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) available-for-sale (“AFS”). The Fund classifies its financial liabilities at FVTPL or as other financial liabilities at amortized cost. 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 categories (b) and (d) at the end of each reporting period. The Fund does not hold any financial liabilities at FVTPL at the end of each reporting period.

### *Financial assets or financial liabilities at FVTPL*

This category consists of financial assets or financial liabilities 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 dates), are classified under this category.

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

Financial assets at FVTPL are recorded in the statements of financial position at fair value, with changes in the fair value recorded in profit or loss, included under Fair value gains (losses). The foreign exchange component of the fair value changes is also included under Fair value gains (losses). Interest earned is recorded in Interest income in profit or loss. 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 non-derivative 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 in banks, loans and receivables and interest receivable.

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.

### *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.

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 PAMI.

### *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 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.

### Financial assets at amortized cost

For loans and receivables which are carried at amortized cost, the Fund first assesses whether 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 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the 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 use of an allowance account and the amount of loss is charged to profit or loss. If, in a subsequent period, the amount of the 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.

### *Derecognition*

#### 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 under the liability is discharged, or 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*

Financial assets and financial liabilities are offset and the net amount is reported in the Fund's statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

## **2.4 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 of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

PFRS 13 specifies a hierarchy of valuation techniques 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 have created the following fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes debt instruments on exchanges (for example, New York Stock Exchange, London Stock Exchange, Tokyo Stock Exchange, etc.).

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.

The Fund's classification of its financial assets based on the above fair value hierarchy is presented in Note 3 to the financial statements.

## **2.5 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 Fund'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 have an identical contractual obligation for 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 the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund (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 and may be reissued in the future.

### *Share premium*

Redeemable shares can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's trading net asset value (Note 10) calculated in accordance with the Fund's prospectus. Any excess of subscriptions over the par value of shares issued is shown as share premium. The excess of redemption amount over the par value of shares redeemed are first applied against the related share premium and then to the related retained earnings.



## **2.6 Revenue recognition**

### *Interest income*

Interest income is 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 the Fund's right to receive payment is established.

## **2.7 Expenses**

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

## **2.8 NAV per share**

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

## **2.9 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 during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

As at December 31, 2013 and 2012, there are no dilutive potential shares.

## **2.10 Taxation**

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

Interest income from cash in banks and financial assets at FVTPL held outside the Philippines are subject to regular tax rate of 30%.

## **2.11 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 (“DIT”) is provided, 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, DIT liabilities are recognized for all taxable temporary differences and DIT 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 DIT asset can be utilized.

DIT liabilities are recognized in full for all taxable temporary differences, except to the extent that the DIT liability arises from the initial recognition of goodwill.

The carrying amount of DIT 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 DIT asset to be utilized. The Fund reassesses at each reporting date the need to recognize a previously unrecognized DIT asset.

DIT 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.

DIT assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the DIT 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.

## **2.12 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.

## **2.13 Functional and presentation currency**

### *(a) Functional and presentation currency*

Subscriptions and redemptions of the Fund's redeemable shares are denominated in United States Dollar (US\$). The performance of the Fund is measured and reported to the investors in US Dollar. The BOD considers the US Dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in US Dollar, which is the Fund's functional and presentation currency.

### *(b) Foreign exchange transactions*

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against Foreign exchange gains (losses) in profit or loss.

### *(c) Translation of US Dollar balances to Philippine Peso*

The financial statements include corresponding figures in Philippine Peso for additional information purposes only.

The Fund's US dollar-denominated financial statements are translated to the Philippine Peso using the following procedures:

- a. Assets and liabilities reported in the statements of financial position are translated at closing exchange rate of P44.4 to US\$1 (2012 - P41.05 to US\$1) as at the reporting date;
- b. Revenue, expenses, gains and losses reported in profit or loss in the statements of total comprehensive income are translated at annual weighted average exchange rate of P42.43 to US\$1 (2012 - P42.24 to US\$1; 2011 - P41.05 to US\$1) as at the reporting date;
- c. Share capital is translated at historical exchange rate; and
- d. The resulting translation adjustment is presented as a separate component of equity in the Philippine Peso statement of financial position.

## **2.14 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 financial statements when material.

## **2.15 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the management committee. The management committee, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

The Fund has only one operating segment.

## **Note 3 - Capital and financial risk management**

### **3.1 Governance framework**

The primary objective of the Fund's risk and financial 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.

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 specify reporting requirements.

### **3.2 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 Investment Company Act of 1960, the Fund's minimum required capitalization amounts to US\$1.1 million (P50.0 million) translated using the closing exchange rate. The Fund's capitalization is more than the amount required by the SEC.

The Fund considers the net assets attributable to shareholders as its capital (or total equity as shown in the statements of financial position). As at December 31, 2013 and 2012, the net assets attributable to shareholders amounted to US\$3,910,079 (P173,599,690) [2012 - US\$6,072,651 (P249,282,315)] (Note 8).

### 3.3 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. Until the SEC shall, by order, provide otherwise, 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; and
- e. 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 3.5).

The Fund is fully compliant with the above SEC regulatory requirements as at December 31, 2013 and 2012.

### 3.4 Financial instruments

The following table sets forth the carrying values of financial assets and liabilities as at December 31:

	2013		2012	
	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos
<b>Financial assets</b>				
Loans and receivables				
Cash in banks	151,314	6,718,039	146,457	6,012,060
Loans and receivables	15	666	54	2,217
Interest receivable	38,435	1,706,437	54,043	2,218,465
<b>Total loans and receivables</b>	<b>189,764</b>	<b>8,425,142</b>	<b>200,554</b>	<b>8,232,742</b>
<b>Financial assets at FVTPL</b>				
Government securities	3,235,385	143,644,623	4,909,176	201,521,675
Corporate bonds	552,130	24,513,468	1,040,259	42,702,632
<b>Total financial assets at FVTPL</b>	<b>3,787,515</b>	<b>168,158,091</b>	<b>5,949,435</b>	<b>244,224,307</b>
<b>Total financial assets</b>	<b>3,977,279</b>	<b>176,583,233</b>	<b>6,149,989</b>	<b>252,457,049</b>
<b>Financial liabilities</b>				
Accounts payable and accrued expenses (excluding taxes payable)	49,369	2,191,973	65,846	2,702,979
Due to PAMI	16,847	747,974	9,907	406,682
<b>Total financial liabilities</b>	<b>66,216</b>	<b>2,939,947</b>	<b>75,753</b>	<b>3,109,661</b>

Due to the short-term nature of cash in banks, loans and receivables, interest receivable, accounts payable and accrued expenses (excluding taxes payable) and due to PAMI, their carrying values reasonably approximate fair values at year-end.

The fair value of financial instruments at FVTPL, that are actively traded in organized financial markets, is determined by reference to quoted market bid prices, at the close of business on the reporting date.

### **3.5 Financial risk**

The Fund may invest in debt securities issued by sovereign nations with a credit rating not lower than the Philippines' credit rating and high grade corporations (at least a rating of BBB- or equivalent as rated by reputable rating agencies) denominated in US Dollar and other major currencies which could be settled through international clearing houses such as but not limited to Clearstream, Euroclear and US Fedwire.

The Fund may also invest in:

- a. US dollar-denominated funds of investment companies with at least 3-star ratings by reputable rating agencies (e.g., Morning Star, Standard & Poor's); and
- b. Money market instruments.

The Fund is exposed to financial risk through its financial assets. The most important risk components are credit risk, liquidity risk and market risk.

These risks arise from open positions in interest bearing instruments, 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 exceeds 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 investment 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 following table provides information regarding the maximum credit risk exposure and credit quality of financial assets of the Fund:

	In US Dollars			In Philippine Pesos		
	A1 - Aa3*	B1 - Baa1*	Total	A1 - Aa3*	B1 - Baa1*	Total
At December 31, 2013						
Cash in banks	150,808	506	151,314	6,695,574	22,465	6,718,039
Financial assets at FVTPL	2,979,561	807,954	3,787,515	132,286,549	35,871,542	168,158,091
Interest receivable	23,600	14,835	38,435	1,047,793	658,644	1,706,437
	3,153,969	823,295	3,977,264	140,029,916	36,552,651	176,582,567
At December 31, 2012						
Cash in banks	145,953	504	146,457	5,991,371	20,689	6,012,060
Financial assets at FVTPL	4,981,216	968,219	5,949,435	204,478,917	39,745,390	244,224,307
Interest receivable	39,333	14,710	54,043	1,614,620	603,845	2,218,465
	5,166,502	983,433	6,149,935	212,084,908	40,369,924	252,454,832

\*Based on Moody's rating.

Cash in banks are maintained with universal banks to minimize credit risk exposure.

Loans and receivables represents receivable from brokers due to subscriptions that have been contracted for but not yet settled as at reporting date with no history of defaults.

There are no collaterals held as security and other credit enhancements attached to the financial assets as at December 31, 2013 and 2012.

As at December 31, 2013 and 2012, there are no past due or impaired financial assets.

#### *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 five percent (5%) of the fund shall be invested in liquid/semi-liquid assets effective July 2013 such as:

- a. Treasury notes or bills, Central Bank certificate of indebtedness which are short-term, and other government securities or bonds and such other evidences of indebtedness or obligation, the servicing and repayment of which are fully guaranteed by the different sovereign nations.
- b. Savings or time deposits with government-owned banks or commercial banks, provided that in no case shall any such savings or time deposits account be accepted or allowed under a “bearer”, “numbered” account or other similar arrangement.

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 (3) days thereafter, reduce the amount of its 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, 2013 and 2012.

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 the undiscounted amounts based on the remaining period at the reporting date to their contractual maturities or expected repayment dates.

At December 31, 2013	In US Dollars			Total
	Up to a year*	2-5 years	Over 5 years	
<b>Financial assets</b>				
Cash in banks	151,314	-	-	151,314
Financial assets at FVTPL (including interest)				
Government securities	104,553	1,828,862	3,865,713	5,799,128
Corporate bonds	12,778	534,545	174,058	721,381
Loans and receivables	15	-	-	15
Interest receivable	38,435	-	-	38,435
<b>Total financial assets</b>	<b>307,095</b>	<b>2,363,407</b>	<b>4,039,771</b>	<b>6,710,273</b>
<b>Financial liabilities</b>				
Accounts payable and accrued expenses (excluding taxes payable)	49,369	-	-	49,369
Due to PAMI	16,847	-	-	16,847
<b>Total financial liabilities</b>	<b>66,216</b>	<b>-</b>	<b>-</b>	<b>66,216</b>



At December 31, 2013	In Philippine Pesos			Total
	Up to a year*	2-5 years	Over 5 years	
<b>Financial assets</b>				
Cash in banks	6,718,039	-	-	6,718,039
Financial assets at FVTPL (including interest)				
Government securities	4,641,941	81,197,797	171,629,935	257,469,673
Corporate bonds	567,295	23,732,730	7,727,847	32,027,872
Loans and receivables	666	-	-	666
Interest receivable	1,706,437	-	-	1,706,437
<b>Total financial assets</b>	<b>13,634,378</b>	<b>104,930,527</b>	<b>179,357,782</b>	<b>297,922,687</b>
<b>Financial liabilities</b>				
Accounts payable and accrued expenses (excluding taxes payable)	2,191,973	-	-	2,191,973
Due to PAMI	747,974	-	-	747,974
<b>Total financial liabilities</b>	<b>2,939,947</b>	<b>-</b>	<b>-</b>	<b>2,939,947</b>

\* Up to a year are all assets/commitments which are either due within the time frame or are collectible/payable on demand.

At December 31, 2012	In US Dollars			Total
	Up to a year*	2-5 years	Over 5 years	
<b>Financial assets</b>				
Cash in banks	146,457	-	-	146,457
Financial assets at FVTPL (including interest)				
Government securities	142,700	2,224,087	3,949,565	6,316,352
Corporate bonds	31,334	784,165	321,425	1,136,924
Loans and receivables	54	-	-	54
Interest receivable	54,043	-	-	54,043
<b>Total financial assets</b>	<b>374,588</b>	<b>3,008,252</b>	<b>4,270,990</b>	<b>7,653,830</b>
<b>Financial liabilities</b>				
Accounts payable and accrued expenses (excluding taxes payable)	65,846	-	-	65,846
Due to PAMI	9,907	-	-	9,907
<b>Total financial liabilities</b>	<b>75,753</b>	<b>-</b>	<b>-</b>	<b>75,753</b>

At December 31, 2012	In Philippine Pesos			Total
	Up to a year*	2-5 years	Over 5 years	
<b>Financial assets</b>				
Cash in banks	6,012,060	-	-	6,012,060
Financial assets at FVTPL (including interest)				
Government securities	5,857,835	91,298,771	162,129,643	259,286,249
Corporate bonds	1,286,261	32,189,973	13,194,496	46,670,730
Loans and receivables	2,217	-	-	2,217
Interest receivable	2,218,465	-	-	2,218,465
<b>Total financial assets</b>	<b>15,376,838</b>	<b>123,488,744</b>	<b>175,324,139</b>	<b>314,189,721</b>
<b>Financial liabilities</b>				
Accounts payable and accrued expenses				
(excluding taxes payable)	2,702,979	-	-	2,702,979
Due to PAMI	406,682	-	-	406,682
<b>Total financial liabilities</b>	<b>3,109,661</b>	<b>-</b>	<b>-</b>	<b>3,109,661</b>

\* Up to a year are all assets/commitments which are either due within the time frame or are collectible/payable on demand.

#### *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 fair value 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 on foreign exchange rates.

The Fund's principal transactions are carried out in US Dollar and its foreign exchange risk arises primarily with respect to various foreign currencies, wherein the Fund's investments are denominated. The Fund may utilize instruments and techniques available in the market for efficient portfolio management including entering into foreign exchange forward contracts and to cover risks arising from foreign exchange risks.

As at December 31, the exchange rates used to convert foreign currencies to US dollars as quoted in Reuters are as follows:

	2013	2012
EUR	1.3779	1.3184
JPY	0.9514	0.0116
GBP	1.6563	1.6255
MYR	0.3053	0.3270
NZD	0.8230	0.8250
CAD	0.9412	1.0043
NOK	0.1648	0.1797
MXN	0.0763	0.0770
PLN	0.3314	0.3231
DKK	0.1847	0.1767
AUD	0.8946	1.0382
ZAR	0.0954	0.1179
SGD	0.7920	0.8187
SEK	0.1557	0.1537

The following table shows the details of the Fund's foreign currency-denominated financial assets as at December 31. There are no foreign currency-denominated financial liabilities at reporting dates.

*Cash in banks*

At December 31, 2013	In foreign currency	In US Dollars	In Philippine Pesos
JPY	1,762,561	16,770	744,534
NOK	67,872	11,187	496,692
EUR	6,680	9,205	408,691
GBP	5,347	8,857	393,216
SGD	10,933	8,659	384,443
MXN	107,711	8,224	365,128
PLN	23,079	7,648	339,578
AUD	6,850	6,129	272,094
SEK	31,575	4,916	218,272
NZD	5,966	4,910	217,990
MYR	10,411	3,178	141,115
CAD	2,954	2,780	123,431
DKK	11,001	2,032	90,213
ZAR	14,500	1,385	61,465
CHF	2	2	107
		95,882	4,256,969

At December 31, 2012	In foreign currency	In US Dollars	In Philippine Pesos
AUD	24,832	25,781	1,058,310
EUR	13,495	17,791	730,320
SGD	9,895	8,101	332,546
NOK	43,647	7,843	321,955
JPY	646,863	7,481	307,095
PLN	19,929	6,439	264,321
MXN	82,054	6,319	259,395
GBP	3,027	4,921	202,007
CAD	3,174	3,188	130,868
SEK	19,222	2,955	121,303
DKK	7,401	1,308	53,693
MYR	1,040	340	13,958
CHF	2	2	82
		92,469	3,795,853

*Financial assets at FVTPL*

At December 31, 2013	In foreign currency	In US Dollars	In Philippine Pesos
<b>Government securities</b>			
EUR	768,363	1,058,766	47,007,108
JPY	53,496,560	508,982	22,597,797
GBP	168,050	278,333	12,357,449
MYR	266,965	81,503	3,618,592
NZD	98,235	80,852	3,589,676
CAD	59,230	55,746	2,475,021
NOK	225,835	37,224	1,652,684
MXN	376,831	28,772	1,277,410
PLN	80,449	26,661	1,183,704
DKK	132,480	24,469	1,086,395
AUD	22,377	20,019	888,814
ZAR	197,639	18,870	837,788
SGD	21,110	16,719	742,311
SEK	65,380	10,180	451,958
		2,247,096	99,766,707
<b>Corporate bonds</b>			
EUR	209,787	289,076	12,834,396
<b>Total financial assets at FVTPL</b>		<b>2,536,172</b>	<b>112,601,103</b>

At December 31, 2012	In foreign currency	In US Dollars	In Philippine Pesos
Government securities			
EUR	1,024,081	1,350,148	55,423,582
JPY	96,978,781	1,121,596	46,041,495
GBP	167,804	272,765	11,197,023
NOK	569,756	102,377	4,202,583
SGD	99,166	81,184	3,332,596
CAD	80,792	81,141	3,330,846
AUD	47,652	49,472	2,030,821
MXN	378,266	28,837	1,183,777
PLN	84,075	27,166	1,115,150
SEK	163,867	25,189	1,034,015
ZAR	210,683	24,832	1,019,340
DKK	139,518	24,654	1,012,039
MYR	52,397	17,134	703,360
CHF	11,370	12,421	509,880
		3,218,916	132,136,507
Corporate bonds			
EUR	460,708	607,398	24,933,686
GBP	20,948	34,051	1,397,792
		641,449	26,331,478
Total financial assets at FVTPL		3,860,365	158,467,985

Net foreign exchange loss (gain) is composed of the following:

	2013		2012		2011	
	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos
Unrealized foreign exchange loss (gain), net	6,935	294,243	27,830	1,175,463	(3,288)	(142,361)
Realized foreign exchange gain, net	(2,032)	(86,211)	(38,143)	(1,611,056)	-	-
	4,903	208,032	(10,313)	(435,593)	(3,288)	(142,361)

The Fund considers the JPY, EUR and GBP as its major foreign currencies, which comprise bulk of the Fund's cash in banks and investments. For the Fund's major currencies, the analysis below is performed for reasonably possible movements in foreign currency exchange rate with all other variables held constant, showing the impact on post-tax profit.

December 31, 2013	Changes in foreign currency versus US Dollar	Impact on post-tax profit	
		In US Dollars	In Philippine Pesos
JPY	+/- 0.08%	+/- 40,697	+/- 1,806,872
EUR	+/- 0.04%	+/- 552	+/- 24,489
GBP	+/- 2.92%	+/- 8,131	+/- 361,028
		+/- 49,380	+/- 2,192,389

December 31, 2012	Changes in foreign currency versus US Dollar	Impact on post-tax profit	
		In US Dollars	In Philippine Pesos
JPY	+/- 0.83%	+/- 9,354	+/- 383,985
EUR	+/- 0.19%	+/- 2,563	+/- 105,207
GBP	+/- 0.44%	+/- 1,222	+/- 50,162
		+/- 13,139	+/- 539,354

Changes in foreign currency exchange rates are based on the standard deviation of the above exchange rates during the year.

*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.

Floating rate instruments expose the Fund to cash flow interest risk, whereas fixed interest rate instruments expose the Fund to fair value interest rate risk. The Fund's fixed rate investments, which are classified as financial assets at FVTPL, are exposed to fair value interest rate risk.

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 investment in government securities and corporate bonds, classified as FVTPL, that are exposed to fair value interest rate risk presented by maturity profile.

At December 31, 2013	Range of rates	In US Dollars			Total
		Up to a year	2-5 years	Over 5 years	
Financial assets at FVTPL					
Government securities	0.25% - 7.25%	70,110	402,081	79,939	552,130
Corporate bonds	1.13% - 5.25%	85,070	1,365,692	1,784,623	3,235,385
		155,180	1,767,773	1,864,562	3,787,515

At December 31, 2013	Range of rates	In Philippine Pesos			Total
		Up to a year	2-5 years	Over 5 years	
Financial assets at FVTPL					
Government securities	0.25% - 7.25%	3,112,745	17,851,585	3,549,131	24,513,461
Corporate bonds	1.13% - 5.25%	3,776,921	60,633,975	79,233,734	143,644,630
		6,889,666	78,485,560	82,782,865	168,158,091

At December 31, 2012	Range of rates	In US Dollars			Total
		Up to a year	2-5 years	Over 5 years	
Financial assets at FVTPL					
Government securities	0.30% - 7.25%	129,456	1,658,147	3,121,573	4,909,176
Corporate bonds	1.13% - 5.25%	-	701,351	338,908	1,040,259
		129,456	2,359,498	3,460,481	5,949,435

At December 31, 2012	In Philippine Pesos				Total
	Range of rates	Up to a year	2-5 years	Over 5 years	
Financial assets at FVTPL					
Government securities	0.30% - 7.25%	5,314,169	68,066,934	128,140,572	201,521,675
Corporate bonds	1.13% - 5.25%	-	28,790,459	13,912,173	42,702,632
		5,314,169	96,857,393	142,052,745	244,224,307

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

	Changes in interest rate	Impact on post-tax profit	
		In US Dollars	In Philippine Pesos
December 31, 2013	+2.42%	(10,557,414)	(468,728,083)
	-2.42%	382,444	16,979,752
December 31, 2012	+1.44%	(478,467)	(19,641,101)
	-1.44%	389,262	15,979,217

As at December 31, 2013 and 2012, the Fund determined 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 the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund has no significant exposures to cash flow interest rate risk as its outstanding financial instruments are subject to fixed interest rates.

#### *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 price risk since it mainly invests in debt securities.

#### *Fair value hierarchy*

The Fund's financial assets at FVTPL as at December 31, 2013 and 2012 amounting to US\$3,787,515 (P168,158,091) [2012 - US\$5,949,435 (P244,224,307)] are all classified under Level 1.

The Fund has no financial assets that fall under the Level 2 and 3 categories. There are no other financial liabilities measured at fair value as at December 31, 2013 and 2012.

#### **Note 4 - Critical accounting judgments in applying accounting policies**

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 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.

##### *Unrecognized DIT assets*

DIT assets from NOLCO and MCIT have not been recognized because the Fund believes that there will be no sufficient future taxable profit against which benefit from NOLCO and MCIT can be utilized. The Fund assesses the unrecognized DIT assets and will recognize a previously unrecognized DIT asset to the extent that it has become probable that future taxable income will allow the DIT assets to be recovered.

As at December 31, 2013, unrecognized DIT assets amount to US\$92,071 (P4,087,942) [2012 - US\$67,795 (P2,783,977)] (Note 11).

##### *Determination of functional currency*

The Fund considers the US Dollar as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions of the Fund's operations. The US Dollar is the currency in which funds from financing activities are generated and disbursed which influences the Fund's investment transactions. It is the currency in which the Fund measures its performance and reports its results.

#### **Note 5 - Cash in banks**

The account at December 31 consists of:

	2013		2012		2011	
	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos
In US Dollars	55,432	2,461,070	53,988	2,216,207	35,235	1,544,702
In foreign currencies	95,882	4,256,969	92,469	3,795,853	60,002	2,630,488
	151,314	6,718,039	146,457	6,012,060	95,237	4,175,190

Cash in banks earns interest at prevailing bank deposit rates. The related interest earned from bank deposits is presented in Note 9.



**Note 6 - Financial assets at fair value through profit or loss**

The account at December 31 consists of:

	2013		2012	
	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos
Government securities	3,235,385	143,644,623	4,909,176	201,521,675
Corporate bonds	552,130	24,513,468	1,040,259	42,702,632
	3,787,515	168,158,091	5,949,435	244,224,307

The movements in the account are summarized as follows:

	2013		2012	
	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos
At January 1	5,949,435	244,224,307	7,353,792	322,390,241
Additions	2,000,725	84,889,961	7,047,862	297,682,662
Disposals	(3,896,356)	(165,320,827)	(8,316,400)	(351,262,282)
Fair value losses	(266,289)	(11,298,536)	(135,819)	(5,736,628)
Translation adjustment	-	15,663,186	-	(18,849,686)
At December 31	3,787,515	168,158,091	5,949,435	244,224,307

Fair value (losses) gains, net for each of the three years in the period ended December 31 are as follows:

	2013		2012		2011	
	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos
Unrealized fair value (losses) gains, net	(266,289)	(11,298,536)	(135,819)	(5,736,628)	(79,461)	(1,707,150)
Realized fair value (losses) gains, net	(24,467)	(1,038,125)	228,931	9,669,428	245,908	8,915,807
	(290,756)	(12,336,661)	93,112	3,932,800	166,447	7,208,657

Interest income on financial assets at FVTPL is disclosed in Note 9.

In order to manage some of its foreign currency transaction exposures, the Fund entered into short-term foreign currency exchange forward contracts in 2013 and 2012 which matured before the end of the year. There is no outstanding derivative contract as at December 31, 2013 and 2012.

Net realized gains recognized from forward contracts and included in the Fair value gains (losses) in profit or loss amounted to US\$1,206 (P51,170) [2012 - US\$5,795 (P244,751)].

**Note 7 - Accounts payable and accrued expenses**

Accounts payable and accrued expenses at December 31 consists of:

	2013		2012	
	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos
Accounts payable	38,734	1,719,702	57,593	2,364,202
Accrued expenses	11,619	515,868	9,838	403,850
	50,353	2,235,570	67,431	2,768,052

Accounts payable include income taxes payable, professional fees payable, payable for fund accounting services, transfer agent fees and payable to investors due to redemptions that have been contracted for but not yet settled as at reporting date.

Accrued expenses consist of amounts payable for license fees, postage charges and miscellaneous expenses.

**Note 8 - Net assets attributable to shareholders**

The details of the account at December 31 are as follows:

	2013		2012		2011	
	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos
Share capital - US\$0.01 par value (equivalent to P0.49) Authorized - 45,039,996 shares						
Issued and outstanding	33,625	2,029,099	49,448	2,700,462	61,845	3,224,082
Share premium	3,144,433	176,671,399	4,977,988	254,468,362	6,411,321	315,008,324
Translation adjustment	-	(40,868,851)	-	(56,943,291)	-	(37,770,460)
Retained earnings	732,021	35,768,043	1,045,215	49,056,782	990,935	46,764,242
	3,910,079	173,599,690	6,072,651	249,282,315	7,464,101	327,226,188

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

	2013	2012	2011
Issued and outstanding, January 1	4,944,794	6,184,535	8,622,218
Issuances of shares	17,576	82,891	456,134
Redemptions of shares	(1,599,815)	(1,322,632)	(2,893,817)
Issued and outstanding, December 31	3,362,555	4,944,794	6,184,535

Basic and diluted earnings per share as at December 31 are computed as follows:

	2013		2012		2011	
	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos
Net (loss) profit for the year	(299,546)	(12,709,617)	109,432	4,622,166	182,167	7,889,433
Weighted average number of common shares outstanding during the period	3,849,595	3,849,595	5,056,453	5,056,453	6,937,022	6,937,022
(Loss) earnings per share	(0.08)	(3.30)	0.02	0.91	0.03	1.14

As at December 31, 2013, the Fund has 75 shareholders (2012 - 105 shareholders).

PFRS NAV per share at December 31 is computed as follows:

	2013		2012		2011	
	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos
Net assets attributable to shareholders (or total equity)	3,910,079	173,599,690	6,072,651	249,282,315	7,464,101	327,226,188
Number of shares outstanding	3,362,555	3,362,555	4,944,794	4,944,794	6,184,535	6,184,535
NAV per share	1.16	51.63	1.23	50.41	1.21	52.91

The reconciliation between PFRS NAV and trading NAV follows:

	2013		2012		2011	
	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos
Net assets attributable to shareholders (Trading NAV)	3,912,781	173,758,542	6,071,979	249,253,932	7,464,101	327,226,188
Adjustments:						
Accrued taxes and licenses	(2,702)	(158,852)	672	28,383	-	-
Net assets attributable to shareholders (PFRS NAV)	3,910,079	173,599,690	6,072,651	249,282,315	7,464,101	327,226,188

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

SEC approval date	Number of shares	Par value
March 19, 2007	4,000,000	US\$0.49
March 31, 2010	41,039,996	US\$0.49

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

**Note 9 - Interest income**

The account for each of the three years in the period ended December 31 consists of interest income from:

	2013		2012		2011	
	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos
Financial assets at FVTPL - debt securities	129,300	5,486,147	168,319	7,109,340	248,385	10,757,253
Cash in banks	270	11,456	158	6,674	201	8,705
	129,570	5,497,603	168,477	7,116,014	248,586	10,765,958

**Note 10 - Fees and other charges**

The details of the account for each of the three years in the period ended December 31 are as follows:

	2013		2012		2011	
	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos
Fees to custodian bank	12,239	519,294	16,392	692,354	16,888	731,399
Professional fees	8,561	363,243	1,061	44,814	2,999	129,882
Advertising fees	2,854	121,081	512	21,625	2,581	111,780
Transfer charges	2,351	99,764	3,759	158,770	5,193	224,903
	26,005	1,103,382	21,724	917,563	27,661	1,197,964

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 (Note 13).

Professional fees include charges for audit and legal services provided to the Fund.

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

**Note 11 - Income tax**

Income tax expense represents MCIT due for 2012.

The reconciliation of statutory income tax rate to effective income tax rate follows:

	2013	2012	2011
Statutory income tax rate	(30.00%)	30.00%	30.00%
Tax effects of:			
Unrecognized DIT assets	31.544%	0.05%	0.86%
Non-deductible expenses	-	127.59%	32.67%
Income exempt from tax	-	(157.56%)	(110.61%)
Future taxable amount	(1.543%)	-	-
Future deductible amount	-	-	47.08%
NOLCO utilized	-	(0.03%)	-
Effective income tax rate	0.00%	0.05%	0.00%

Details of the Fund's NOLCO are as follows:

Year of incurrence	Year of expiration	2013	2012
2013	2016	1,117,270	-
2011	2014	220,174	220,174
2010	2013	8,993,109	8,993,109
2009	2012	-	14,894,008
		10,330,553	24,107,291
Applied NOLCO		-	(4,560)
Expired NOLCO		(8,993,109)	(14,889,448)
		1,337,444	9,213,283
Income tax rate		30%	30%
Unrecognized DIT asset on NOLCO (in Philippine Peso)		401,233	2,763,985
Unrecognized DIT asset on NOLCO (in US Dollar)		9,037	67,332

The details of the Fund's excess MCIT are as follows:

Year of incurrence	Year of expiration	2013	2012
2012	2015	2,185	2,185
2011	2014	10,547	10,547
Unrecognized MCIT (in Philippine Peso)		12,732	12,732
Unrecognized MCIT (in US Dollar)		287	310

The details of the Fund's unrecognized DIT assets as at December 31 follow:

	2013	2012
Unrealized fair value loss	12,246,588	24,199
NOLCO	1,337,444	9,213,283
	13,584,032	9,237,482
Income tax rate	30%	30%
	4,075,210	2,771,245
MCIT	12,732	12,732
In Philippine Peso	4,087,942	2,783,977
In US Dollar	92,071	67,795

**Note 12 - Related party transactions**

The Fund has a management and distribution agreement with PAMI, whereby the latter is appointed as the Fund's investment manager. PAMI also functions as the principal distributor of the Fund. As such, it takes charge of the sales and marketing of the Fund shares to prospective investors.

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

	Transactions (Charges to profit or loss)		Outstanding balance		Outstanding balance's terms and conditions
	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos	
	Management fees				
Fund manager					
December 31, 2013	104,042	4,414,460	16,847	747,973	- Management fees are computed as one-sixth (1/6) of one percent (1%) of the NAV per month determined on a daily basis - Outstanding balance is payable in cash within the following month, and unsecured and non-interest bearing
December 31, 2012	139,982	5,912,462	9,907	406,682	
December 31, 2011	196,851	8,525,379	12,259	537,312	

**Note 13 - Fund accounting services**

On July 1, 2008, the Fund and Citibank, N.A. ("Citibank") entered into a fund accounting agreement wherein the latter 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, Citibank shall be entitled to an administration fee equivalent to 0.015% per annum based on the NAV of the Fund or US\$12,000, whichever is higher.

Administration fees recognized and included in Fees and other charges (Note 10) for each of the three years in the period ended December 31 are as follows:

	2013		2012		2011	
	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos
Administration fees	12,239	519,294	16,392	692,354	16,888	23,532

Administration fees payable included in the Accounts payable and accrued expenses (Note 7) as at December 31 are as follows:

	2013		2012	
	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos
Administration fees payable	12,329	519,294	2,377	105,516

#### **Note 14 - Net cash generated from operations**

Details of net cash generated from operations for each of the three years in the period ended December 31 follow:

	Notes	2013		2012		2011	
		In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos	In US Dollars	In Philippine Pesos
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
(Loss) profit before income tax		(299,546)	(12,709,617)	109,485	4,624,351	182,167	7,889,433
Adjustments for:							
Unrealized fair value losses (gains)	6	266,289	11,298,536	135,819	5,736,628	79,461	3,441,381
Unrealized foreign exchange losses (gains), net	3	6,935	294,243	27,830	1,175,463	(3,288)	(142,361)
Operating (loss) income before changes in operating assets and liabilities		(26,322)	(1,116,838)	273,134	5,364,221	258,340	11,188,453
Changes in operating assets and liabilities							
Decrease (increase) in:							
Financial assets at FVTPL		1,895,631	80,430,908	1,268,538	72,864,899	2,502,693	109,902,637
Loans and receivables		39	1,551	90,223	3,955,527	(90,277)	(3,957,744)
Interest receivable		15,608	512,028	15,112	813,290	45,153	1,979,496
(Decrease) increase in:							
Accounts payable and accrued expenses		(17,078)	(532,597)	37,909	1,473,685	8,252	361,893
Due to PAMI		6,940	341,292	(2,352)	(130,630)	(3,983)	(174,737)
Due to shareholders		-	-	(102,579)	(4,497,063)	102,579	4,497,063
Net cash generated from operations		1,874,818	79,636,343	1,579,985	79,843,929	2,822,757	123,797,061

Due to shareholders pertains to the amount payable to shareholders for redeemed shares as at reporting date. The account was settled shortly after the reporting period.

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

The following information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

*(a) Supplementary information required by Revenue Regulations (RR) No. 15-2010*

Below is the additional information required by RR No. 15-2010 that is relevant to the Fund. All amounts are presented in Philippine Peso.

(i) All other local and national taxes

All other local and national taxes paid for the year ended December 31, 2013 consist of:

	In Philippine Pesos
Municipal taxes and mayor's permit	85,648
Documentary stamp tax	26,418
Community tax	500
	112,566

The above local and national taxes are charged under Taxes, licenses and other fees in the statements of total comprehensive income.

There are no outstanding accruals relating to other local and national taxes as at December 31, 2013.

(ii) Withholding taxes

Withholding taxes paid and accrued for the year ended December 31, 2013 consist of:

	Paid	Accrued	Total
Expanded withholding tax	564,684	43,597	608,281

There are no other taxes withheld and remitted by the Fund for the year ended December 31, 2013.

(iii) Tax assessments and cases

As at December 31, 2013, taxable years 2012, 2011 and 2010 are open for tax examinations.

There are no pending tax cases as at December 31, 2013.



(b) *Supplementary information required by Revenue Regulations No. 19-2011*

Below is the additional information required by RR No. 19-2011 that is relevant to the Fund. All amounts are presented in Philippine Peso.

(i) Sales/receipts/fees

The Fund's interest income from foreign corporate and government securities amounting to P5,497,129 and realized gains from the sale/disposal of investments amounting to P6,056,640 are subject to the regular tax rate of 30%. The remaining interest earned from cash in bank amounting to P474 was subjected to final withholding tax.

(ii) Cost of sales/services

	Deductible amount
Realized loss on investments	7,008,554
Management fee	4,414,460
Fees to custodian bank	519,294
Transfer charges	99,764
Documentary stamp tax	26,418
	12,068,490

There are no other direct costs subject to regular or special tax rates.

(iii) Non-operating and taxable other income

There are no non-operating and taxable other income subject to regular or special tax rates.

(iv) Itemized deductions

	Deductible amount
Professional fee	363,243
Advertising	121,081
Taxes, licenses and other fees	86,148
Miscellaneous	32,119
Total expenses	602,549

(v) Taxes and licenses

The details of the Fund's taxes and licenses are presented in section (a) of this note.

(vi) Other information

All other information prescribed to be disclosed by the BIR has been included in this note.

**PAMI Global Bond Fund Inc.**  
**Schedule H - Capital Stock**  
**December 31, 2013**

<b>Titles of Issue</b>	<b>Number of shares authorized</b>	<b>Number of shares issued and outstanding at shown under related balance sheet caption</b>	<b>Number of shares reserved for options, warrants, conversion and other rights</b>	<b>Number of shares held by related parties</b>	<b>Directors, officers and employees</b>
Redeemable Shares	45,039,996	3,362,555	-	1,740,295	-

**PAMI Global Bond Fund, Inc.**  
**Schedule A - Financial Assets**  
**December 31, 2013**  
(All amounts in US Dollar)

Name of Issuing entity and association of each issue	Face value	Amount shown in the statements of financial position	Value based on market quotation
<b>Corporate Bonds</b>			
XSTRATA FIN CAN XTALN 5 1/4 06/13/17	50,000	76,786	76,786
LLOYDS TSB BANK LLOYDS 3 3/4 09/07/15	50,000	72,193	72,193
GENERAL ELECTRIC GECSCF 3 3/4 07/22/14	50,000	70,110	70,110
BMW FINANCE NV BMW 2 1/8 01/13/15	50,000	69,987	69,987
SWEDISH EXP CRED SEK 1 3/4 05/30/17	50,000	50,894	50,894
WESTPAC BANKING WSTP 1 1/8 09/25/15	50,000	50,432	50,432
FIFTH THIRD BANK FITB 3 1/2 03/15/22	50,000	48,457	48,457
TOYOTA MTR CRED TOYOTA 1 3/4 05/22/17	40,000	40,242	40,242
AMAZON.COM INC AMZN 2 1/2 11/29/22	35,000	31,482	31,482
NESTLE HOLDINGS NESNVX 1 3/8 06/21/17	30,000	29,887	29,887
BP CAPITAL PLC BPLN 1 3/8 05/10/18	12,000	11,660	11,660
		552,130	552,130
<b>Government Bonds</b>			
SPANISH GOV'T SPGB 3 3/4 10/31/18	105,000	151,225	151,225
US TREASURY N/B T 2 3/4 11/30/16	130,000	137,404	137,404
US TREASURY N/B T 2 3/4 12/31/17	130,000	137,363	137,363
REP OF AUSTRIA RAGB 3 1/2 09/15/21	85,000	130,665	130,665
IRISH GOVT IRISH 4.6 04/18/16	85,000	126,718	126,718
TREASURY UKT 1 1/4 07/22/18	78,000	125,777	125,777
DEUTSCHLAND REP DBR 4 01/04/37	75,000	124,935	124,935
BTPS BTPS 3 1/2 11/01/17	85,000	122,244	122,244
SPANISH GOV'T SPGB 3.8 01/31/17	80,000	115,819	115,819
JAPAN GOVT 20-YR JGB 2.1 03/20/27	10,500,000	113,971	113,971
BTPS BTPS 4 3/4 09/01/21	75,000	111,893	111,893
US TREASURY N/B T 2 1/2 03/31/15	103,000	105,929	105,929
JAPAN GOVT 10-YR JGB 1.1 06/20/20	10,200,000	101,372	101,372
US TREASURY N/B T 2 11/15/21	100,000	95,313	95,313
US TREASURY N/B T 4 3/8 11/15/39	85,000	91,959	91,959
TREASURY UKT 6 12/07/28	42,000	90,671	90,671
JAPAN GOVT 10-YR JGB 1.4 09/20/19	8,500,000	85,831	85,831
WI TSY NOTE/BOND	90,000	85,261	85,261
US TREASURY N/B T 0 1/4 12/15/14	85,000	85,070	85,070
US TREASURY N/B T 2 3/8 06/30/18	80,000	82,950	82,950
NEW ZEALAND GVT NZGB 6 04/15/15	95,000	80,852	80,852
JAPAN GOVT 20-YR JGB 1.8 12/20/31	7,600,000	76,545	76,545
DEUTSCHLAND REP DBR 2 1/2 01/04/21	50,000	73,951	73,951
MALAYSIAN GOV'T MGS 3.314 10/31/17	220,000	66,251	66,251
JAPAN GOVT 30-YR JGB 1.8 03/20/43	5,800,000	56,193	56,193
<i>Forward</i>		2,576,162	2,576,162

<i>Forwarded balance</i>		2,576,162	2,576,162
UNITED MEXICAN MEX 3 5/8 03/15/22	50,000	49,332	49,332
US TREASURY N/B T 5 3/8 02/15/31	40,000	48,844	48,844
NETHERLANDS GOVT NETHER 4 07/15/19	30,000	47,285	47,285
US TREASURY N/B T 1 3/4 05/15/22	50,000	46,148	46,148
JAPAN GOVT 10-YR JGB 1.3 12/20/18	4,000,000	40,010	40,010
DEUTSCHLAND REP DBR 6 1/4 01/04/24	20,000	38,335	38,335
CANADA-GOV'T CAN 1 1/2 09/01/17	40,000	37,466	37,466
TREASURY UKT4 1/2 12/07/42	18,000	34,542	34,542
NORWEGIAN GOV'T NGB 4 1/4 05/19/17	170,000	30,203	30,203
MEXICAN BONOS MBONO 7 1/4 12/15/16	3,500	28,772	28,772
TREASURY 4 1/4 03/07/36	15,000	27,343	27,343
POLAND GOVT BOND POLGB 5 1/4 10/25/20	75,000	26,661	26,661
DENMARK - BULLET DGB 3 11/15/21	120,000	24,469	24,469
ROMANIA ROMANI 6 3/4 02/07/22	20,000	22,714	22,714
AUSTRALIAN GOVT. ACGB 5 3/4 05/15/21	20,000	20,019	20,019
REP SOUTH AFRICA SAGB 7 1/4 01/15/20	200,000	18,870	18,870
CANADA-GOV'T CAN 5 06/01/37	15,000	18,281	18,281
SINGAPORE GOV'T SIGB 2 3/8 04/01/17	20,000	16,719	16,719
FINNISH GOV'T RFGB 2 5/8 07/04/42	12,000	15,695	15,695
MALAYSIAN GOV'T MGS 4.16 07/15/21	50,000	15,253	15,253
JAPAN GOVT 10-YR JGB 1.1 03/20/21	1,400,000	13,873	13,873
JAPAN GOVT 40-YR JGB 2.2% 20MAR2051	1,000,000	10,654	10,654
JAPAN GOVT 30-YR JGB 2.2 09/20/39	1,000,000	10,533	10,533
SWEDISH GOVRNMNT SGB 3 1/2 06/01/22	60,000	10,180	10,180
NORWEGIAN GOV'T NGB 3 3/4 05/25/21	40,000	7,022	7,022
<b>Total</b>		<b>3,235,385</b>	<b>3,235,385</b>

Notes:

- (a) The Fund's financial assets refer to financial assets at fair value through profit or loss, loans and receivables and interest receivable as shown in the statements of financial position.
- (b) Total income received and accrued from financial assets at fair value through profit or loss, loans and receivables and interest receivable amount to US\$129,300 for the year ended December 31, 2013.

**PAMI Global Bond Fund, Inc.**  
(An Open-End Mutual Fund Company)

Reconciliation of Retained Earnings  
Available for Dividend Declaration  
December 31, 2013  
(All amounts in US dollars)

Items	Amount
<b>Unappropriated Retained Earnings, beginning</b>	1,045,215
<b>Adjustments</b>	-
<b>Unappropriated Retained Earnings, as adjusted, beginning</b>	1,045,215
<b>Net loss based on the face of AFS</b>	(299,546)
<b>Less: Non-actual/unrealized income net of tax</b>	
• Equity in net income of associate/joint venture	-
• Unrealized actuarial gain	-
• Fair value adjustment (M2M gains)	-
• Fair value adjustment of Investment Property resulting to gain	-
• Adjustment due to deviation from PFRS/GAAP-gain	-
• Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
<b>Add: Non-actual losses</b>	-
• Depreciation on revaluation increment (after tax)	-
• Adjustment due to deviation from PFRS/GAAP - loss	-
• Loss on fair value adjustment of investment property (after tax)	-
• Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents)	-
<b>Net Income Actual/Realized</b>	(299,546)
<b>Unappropriated Retained Earnings, as adjusted, ending</b>	745,669