

# COVER SHEET

**CS200417434**

S.E.C. Registration Number

S	U	N	L	I	F	E	P	R	O	S	P	E	R	I	T	Y	D	O	L	L	A	R		
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( Business Address : No. Street City / Town / Province )

**Jeanemar S. Talaman**  
Contact Person

**555-8888**  
Company Telephone Number

1	2	3	1
Month		Day	

Fiscal Year

SEC FORM 17Q

FORM TYPE

Month		Day	

Annual Meeting

Mutual Fund Company

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SEC Number: CS200417434

File Number: \_\_\_\_\_

**SUN LIFE PROSPERITY DOLLAR ABUNDANCE FUND, INC.**  
(Company's Full Name)

**8<sup>th</sup> Floor Sun Life Centre 5<sup>th</sup> Avenue cor Rizal Drive Bonifacio Global City, Taguig City, Philippines**

-----  
(Company's Address)

**849-98-88**

-----  
(Telephone No.)

**December 31**

-----  
(Fiscal Year Ending)  
(Month & Day)

**SEC FORM 17-Q**

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Form Type

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Amendment Designation (If applicable)

**March 31, 2017**

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Period Ended Date

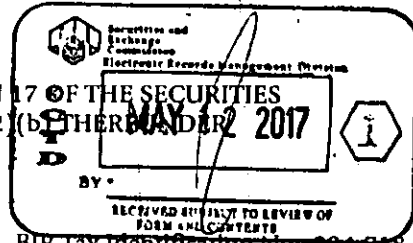
**OPEN-END INVESTMENT COMPANY**

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Secondary License Type and File Number

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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



- 1. For the quarterly period ended: March 31, 2017
- 2. Commission identification number: CS200417434 559
- 3. BIR Tax Identification No. 294718-

4. Exact name of issuer as specified in its charter

Sun Life Prosperity Dollar Abundance Fund, Inc.

- 5. Province, country or other jurisdiction of incorporation or organization
- 6. Industry Classification Code: (SEC Use Only)

Philippines

7. Address of issuer's principal office: Postal Code

8F Sun Life Centre 5<sup>th</sup> Avenue cor Rizal Drive Bonifacio Global City, Taguig City 1634

8. Issuer's telephone number, including area code

(02) - 555-8888

9. Former name, former address and former fiscal year, if changed since last report

N.A.

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<u>Common Shares (Unclassified)</u>	<u>5,894,705 shares</u> <u>(as of March 31, 2017)</u>

11. Are any or all of the securities listed on a Stock Exchange?

Yes  No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes  No

**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**SUN LIFE PROSPERITY DOLLAR ABUNDANCE FUND, INC**  
**STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2017 AND DECEMBER 31, 2016**

		(Unaudited)	(Audited)
	MDAS	2017	2016
<b>ASSETS</b>			
<b>Current Asset</b>			
Cash	1.1	\$182,717	\$402,969
Financial assets at fair value through profit and loss	1.2	17,008,295	16,801,871
Accrued interest receivable	1.3	174,984	246,930
Other Current Assets	1.4	1,606	-
		<b>17,367,602</b>	<b>17,451,770</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accrued expenses and other payables	1.5	8,113	7,574
Income tax payable		92	92
Payable to fund manager	1.6	28,292	30,559
<b>Total Current Liabilities</b>		<b>36,497</b>	<b>38,225</b>
<b>Equity</b>			
Capital stock		135,309	135,309
Additional paid in capital		17,148,439	17,691,399
Retained earnings		2,119,107	1,875,934
Treasury Shares		(2,071,750)	(2,289,097)
	1.7	<b>17,331,105</b>	<b>17,413,545</b>
		<b>17,367,602</b>	<b>17,451,770</b>
<b>Net Assets Value Per Share</b>		<b>\$2.9401</b>	<b>\$2.8995</b>
<b>Total Equity</b>		<b>17,331,105</b>	<b>17,413,545</b>
Capital Stock - Php 1.00 par value			
Authorized - 10,000,000 shares			
Issued and Fully Paid Shares		5,894,705	6,005,612
<b>NET ASSET VALUE PER SHARE</b>		<b>\$2.9401</b>	<b>\$2.8995</b>

SUN LIFE PROSPERITY DOLLAR ABUNDANCE FUND, INC  
 STATEMENTS OF COMPREHENSIVE INCOME  
 FOR THE PERIOD ENDED MARCH 31, 2017 AND MARCH 31, 2016

		(Unaudited)	(Unaudited)
	MDAS	2017	2016
REVENUES	2.1	(\$115,722)	\$386,426
<b>OPERATING EXPENSES</b>			
Management Fees		72,534	69,556
Taxes and Licenses		1,577	470
Custodian and Transfer Fees		8,601	6,503
Directors' Fees		820	442
Miscellaneous		1,875	1,200
	2.2	85,407	78,171
PROFIT BEFORE UNREALIZED GAIN/LOSS ON INVESTMENT		(201,129)	308,255
Unrealized Gain (Loss) on Investments		444,599	436,900
NET INCOME BEFORE INCOME TAX		243,470	745,155
PROVISION FOR INCOME TAX		297	(428)
NET PROFIT	2.3	243,173	745,583
EARNINGS PER SHARE (EPS)		\$0.041	\$0.130

SUN LIFE PROSPERITY DOLLAR ABUNDANCE FUND, INC  
 STATEMENTS OF CHANGES IN EQUITY  
 FOR THE PERIOD ENDED MARCH 31, 2017 AND MARCH 31, 2016

	Capital Stock	Capital paid in excess of par value	Retained Earnings	Treasury Shares	Total
Balance, January 1, 2017	\$135,309	\$17,691,399	\$1,875,934	(\$2,289,097)	\$17,413,545
Profit for the period			243,173		243,173
Transactions with owners:					
Acquisition of Treasury shares during the period		(542,960)		(416,124)	(959,084)
Reissuance of Treasury shares during the period				633,471	633,471
Total Transactions with owners	-	(542,960)	-	217,347	(325,613)
Balance, March 31, 2017	135,309	17,148,439	2,119,107	(2,071,750)	17,331,105

	Capital Stock	Capital paid in excess of par value	Retained Earnings	Treasury Shares	Total
Balance, January 1, 2016	\$135,309	\$17,464,287	\$1,628,274	(\$2,815,125)	\$16,412,745
Profit for the period			745,583		745,583
Transactions with owners:					
Acquisition of Treasury shares during the period				(847,002)	(847,002)
Reissuance of Treasury shares during the period		8,498		676,015	684,513
Total Transactions with owners	-	8,498	-	(170,986)	(162,488)
Balance, March 31, 2016	135,309	17,472,785	2,373,857	(2,986,111)	16,995,840

SUN LIFE PROSPERITY DOLLAR ABUNDANCE FUND, INC  
 STATEMENTS OF CASH FLOWS  
 FOR THE PERIOD ENDED MARCH 31, 2017 AND MARCH 31, 2016

	(Unaudited) 2017	(Unaudited) 2016
<b>Cash Flows from Operating Activities</b>		
Net investment income	\$243,173	\$745,583
Adjustments to reconcile net investment income to net Changes in operating assets and liabilities		
Sale (Purchase) of fixed income securities	(206,424)	(651,472)
(Increase) Decrease in:		
Accrued interest receivable	71,946	81,738
Prepaid Expenses	(1,606)	(2,164)
Increase (Decrease) in:		
Accrued expenses and other payables	539	(1,096)
Payable to fund manager	(2,267)	338
<b>Net cash provided (used) in operating activities</b>	<b>105,361</b>	<b>172,927</b>
<b>Cash Flows From Financing Activities</b>		
Acquisition of Treasury shares during the period	(959,084)	(847,002)
Reissuance of Treasury shares during the period	633,471	684,513
<b>Net cash provided (used) in Financing Activities</b>	<b>(325,613)</b>	<b>(162,488)</b>
 Net Increase (Decrease) in Cash	 (220,252)	 10,439
 Cash at the Beginning of the Period	 402,969	 1,257,036
 <b>Cash at the End of the Period</b>	 <b>\$182,717</b>	 <b>\$1,267,475</b>

## Notes to Financial Statements

### Basis of Preparation and Presentation

The financial statements of the Company have been prepared on the historical cost basis, except for certain financial assets measured at fair value and certain financial instruments carried at amortized cost.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

### Functional Currency

These financial statements are presented in United States dollar (USD), the currency of the primary economic environment in which the Company operates. All amounts are recorded to the nearest dollar, except when otherwise indicated.

### ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

#### Adoption of New and Revised Accounting Standards Effective in 2016

The following new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and issued by the FRSC in the Philippines were adopted by the Company effective January 1, 2016:

#### *Annual Improvements to PFRSs 2012-2014 Cycle*

The annual improvements address the following issues:

#### *Amendments to PFRS 7: Financial Instruments: Disclosures*

The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets. PFRS 7 states that a pass through arrangement under a servicing contract does not, in itself, constitute a continuing involvement in asset, for instance, when the amount and/or timing of the servicing fee depend on the amount and/or the timing of the cash flows collected. The amendments add guidance to this effect.

The amendments also clarified the applicability of the disclosure requirements on offsetting financial assets and financial liabilities to be included in condensed interim financial statements. The amendments clarified that the offsetting disclosures are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with PAS 34, *Interim Financial Reporting*.

The amendments did not have a significant impact on the Company's financial statements.

#### *Amendments to PAS 1: Presentation of Financial Statements*

The amendments include the following:

- **Materiality.** The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- **Statement of financial position and statement of profit or loss and other comprehensive income.** The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements, and (2) clarify that an entity's share of other comprehensive income (OCI) of equity-accounted associates and joint ventures should be presented in



aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

- Notes. The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of PAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

The amendments did not have a significant impact on the Company's financial statements.

#### **New Accounting Standards Effective after the Reporting Period Ended December 31, 2016**

The Company will adopt the following standards/amendments when these become effective:

##### *IFRS 9, Financial Instruments (2014)*

This standard consists of the following three phases:

##### Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement under this standard, all recognized financial assets that are currently within the scope of PAS 39 will be subsequently measured at either amortized cost or fair value. Specifically:

- A debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.
- A debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at fair value through other comprehensive income (FVTOCI), unless the asset is designated at FVTPL under the fair value option.
- All other debt instruments must be measured at FVTPL.
- All equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognized in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognized in profit or loss.

This standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. Major change from PAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk for the liability. Under this standard, such changes are presented in OCI, unless the presentation of the effect of the change in the liability credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under PAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

##### Phase 2: Impairment methodology

The impairment model under this standard reflects expected credit losses, as opposed to incurred credit losses under PAS 39. Under the impairment approach of this standard, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for

expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

### Phase 3: Hedge accounting

The general hedge accounting requirements for this standard retain the three types of hedge accounting mechanism in PAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting.

In addition, the effectiveness test has been overhauled and replaced with the principle of economic relationships. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The standard is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

The management does not anticipate that the application of PFRS 9 will have a significant impact on the Company's financial statements as the recognition and measurement of the Company's financial assets and financial liabilities would be the same under both PAS 39 and PFRS 9.

### *PFRS 16, Leases*

This standard specifies how a PFRS reporter will recognize, measure, present and disclose leases. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with PFRS 16's approach to lessor accounting substantially unchanged from its predecessor, PAS 17.

The standard is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is not permitted, until IFRS 15, *Revenue from Contracts with Customers*, is adopted.

The future adoption of the standard will have no effect on the Company's financial statements.

### *Amendment to PAS 7, Disclosure Initiative*

The amendment clarifies that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment is effective for annual reporting periods beginning on or after January 1, 2017. Earlier application is permitted.

The future adoption of the amendment will have no effect on the Company's financial statements.

### *Amendments to PAS 12, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments are effective for annual reporting periods beginning on or after January 1, 2017. Earlier application is permitted.

The future adoption of the amendments will have no effect on the Company's financial statements.

#### *IFRS 15, Revenue from Contracts with Customers*

The standard combines, enhances, and replaces specific guidance on recognizing revenue with a single standard. An entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

- It defines a new five-step model to recognize revenue from customer contracts.
- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

The standard is mandatory for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

The management does not anticipate that the application of the new accounting standard will have a significant impact on the Company's financial statements as the Company does not have complex revenue transactions.

#### *PIC Q&A No. 2016-04 Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-completion Contracts*

This interpretation applies to the accounting for revenue from the sale of a residential property unit under pre-completion stage (i.e., construction is on-going or has not yet commenced) by a real estate developer that enters into a Contract to Sell (CTS) with a buyer, and the developer has determined that the contract is within the scope of PFRS 15 by satisfying all the criteria in paragraph 9 of PFRS 15.

This interpretation does not deal with the accounting for other aspects of real estate sales such as variable considerations, financing components, commissions and other contract costs, timing of sales of completed properties, etc.

The management does not anticipate that the application of the new accounting standard will have a significant impact on the Company's financial statements as the Company does not have complex revenue transactions.

#### *Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 includes:

- a. Accounting for cash-settled share-based payment transactions that contain a performance condition. The amendment added guidance that introduces accounting requirements for

cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

- b. Classification of share-based payment transactions with net settlement features. The amendment has introduced an exception into PFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
- c. Accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendment has introduced the following clarifications:
  - On modifications, the original liability recognized in respect of the cash-settled share-based payment is derecognized and the equity-settled share-based payment is recognized at the modification date fair value to the extent services have been rendered up to the modification date.
  - Any difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately.

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted.

The future adoption of the standard will have no effect on the Company's financial statements.

*Amendments to PFRS 4, Applying PFRS 9 'Financial Instruments' with PFRS 4 'Insurance Contracts'*

The amendments provide two options for entities that issue insurance contracts within the scope of PFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; and
- an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

An entity applies the overlay approach retrospectively to qualifying financial assets when it first applies IFRS 9. Application of the overlay approach requires disclosure of sufficient information to enable users of financial statements to understand how the amount reclassified in the reporting period is calculated and the effect of that reclassification on the financial statements.

An entity applies the deferral approach for annual periods beginning on or after January 1, 2018. Predominance is assessed at the reporting entity level at the annual reporting date that immediately precedes April 1, 2016. Application of the deferral approach needs to be disclosed together with information that enables users of financial statements to understand how the insurer qualified for the temporary exemption and to compare insurers applying the temporary exemption with entities applying IFRS 9. The deferral can only be made use of for the three years following January 1, 2018. Predominance is only reassessed if there is a change in the entity's activities. entity applies

The future adoption of the standard will have no effect on the Company's financial statements.

*Annual Improvements to PFRSs 2014-2016 Cycle*

The annual improvements address the following issues:

*Amendments to PFRS 1, First-time Adoption of International Financial Reporting Standards*

The amendments include the deletion of short-term exemptions stated in the appendix of PFRS 1, because they have now served their intended purpose. The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

The future adoption of the amendments will have no effect on the Company's financial statements.

*Amendments to PFRS 12, Disclosure of Interests in Other Entities*

The amendments clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those disclosures needed in the summarized financial for subsidiaries, joint ventures and associates, apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

The amendments are effective for annual periods beginning on or after January 1, 2017 with earlier application permitted.

The future adoption of the amendments will have no effect on the Company's financial statements.

*Amendments to PAS 28, Investments in Associates and Joint Ventures*

The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

The future adoption of the amendments will have no effect on the Company's financial statements.

*Amendments to PAS 40, Investment Property – Transfers of Investment Property*

The amendments in Transfers of Investment Property (Amendments to IAS 40) are:

- Stating that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of evidence in paragraph 57(a) – (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list

The amendments are effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

The future adoption of the amendments will have no effect on the Company's financial statements.

*Philippine Interpretations IFRIC 22, Foreign Currency Transactions and Advance Consideration*

The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability.

The Interpretation is effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

The future adoption of the interpretation will have no effect on the Company's financial statements.

## SIGNIFICANT ACCOUNTING POLICIES

### Financial Assets

#### Initial recognition

Financial assets are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets, except for investments classified as at FVTPL. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

#### Classification and subsequent measurement

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company's financial assets as at March 31, 2017 and December 31, 2016 consist of financial assets at FVTPL and loans and receivables.

#### *Financial assets at FVTPL*

The Company classifies financial assets at FVTPL when the financial asset is either held for trading or designated as such upon initial recognition.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and it is permitted that the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resulting gain or loss recognized in profit or loss.

The Company's financial assets classified under this category include investments in fixed-income securities and special savings deposits.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment and are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of not discounting is immaterial.

The Company's financial assets classified under this category include cash in banks and accrued interest receivable.

### Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

### Objective evidence of impairment

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets and debt instruments classified as AFS, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counter party; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or
- it has become probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

### Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of

the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and any cumulative gain or loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss.

## **Financial Liabilities and Equity Instruments**

### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument.

### Financial liabilities

#### *Initial recognition*

Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities, except for debt instruments classified as at FVTPL.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

#### *Subsequent measurement*

Since the Company does not have financial liabilities classified as at FVTPL, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The Company's financial liabilities classified under this category include payable to fund manager, accrued expenses and other payables.

#### *Derecognition*

Financial liabilities are derecognized by the Company when the obligation under the liability is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

#### *Ordinary shares*

Share capital consisting of ordinary shares is classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. Any excess of proceeds from issuance of shares over its par value is recognized as additional paid-in capital.



### *Retained earnings*

Retained earnings represent accumulated profit attributable to equity holders of the Company after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

### *Repurchase, disposal and reissuance of share capital (treasury shares)*

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable cost, net of any tax effects, is recognized as a reduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognized as increase in equity, and the resulting surplus or deficit on the transaction is presented as additional paid-in capital.

### *Deposits for future stock subscriptions*

Deposits for future stock subscriptions are recorded at historical cost. These are classified as equity when all of the following criteria are met:

- a. the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- b. there is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the Company);
- c. there is stockholders' approval of said proposed increase; and
- d. the application for the approval of the proposed increase has been filed with the SEC.

Deposits for future stock subscriptions are classified as liability, when the above criteria are not met.

### **Revenue Recognition**

Income is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Income is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

### Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### Realized gains or losses

Gains or losses arising on the disposal of investments are determined as the difference between the sales proceeds and the carrying amount of the investments and are recognized in profit or loss.

### Fair value gains

Gains arising from changes in fair values of investments are disclosed under the policy on financial assets.

### Other income

Other income is income generated outside the normal course of business and is recognized when it is probable that the economic benefits will flow to the Company and it can be measured reliably.

## Expense Recognition

Expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss on the basis of: (i) a direct association between the costs incurred and the earning of specific items of income; (ii) systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or, (iii) immediately 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 in the statements of financial position as an asset.

Expenses in the statements of comprehensive income are presented using the nature of expense method.

## Fair Value

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined in such basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that is a post-employment benefit plan for the employees of the Company and the key management personnel of the Company are also considered to be related parties.

## Taxation

Income tax expense represents the sum of the current tax expense, final tax and deferred tax.

### Current tax

The corporate income tax currently expensed is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's current tax expense is calculated using 30% regular corporate income tax (RCIT) rate or 2% minimum corporate income tax (MCIT) rate, whichever is higher.

#### Final tax

Final tax expense represents final taxes withheld on interest income from cash in banks, special savings deposits and fixed-income securities.

#### Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and these relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

#### **Earnings (Loss) per Share**

The Company computes its basic earnings per share by dividing profit or loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

For the purpose of calculating diluted earnings per share, profit or loss for the year attributable to ordinary equity holders of the Company and the weighted average number of shares outstanding are adjusted for the effects of deposits for future stock subscriptions which are dilutive potential ordinary shares.

#### **Net Asset Value per Share (NAVPS)**

The Company computes its NAVPS by dividing the total net asset value as at the end of the reporting period by the number of issued and outstanding shares.

#### **Events After the Reporting Period**

The Company identifies events after the end of the reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. The financial statements of the Company are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to the financial statements when material.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Performance of the Company could be measured by the following indicators:

1. **Increase/Decrease in Net Assets Value per Share (NAVPS.)** NAVPS is computed by dividing net assets (total assets less total liabilities) by the total number of shares issued and outstanding plus the total number of units outstanding due to deposit for future subscriptions (DFFS) and for conversion to shares, if any, as of the end of the reporting day. Any increase or decrease in NAVPS translates to a prospective capital gain or capital loss, respectively, for the Fund's shareholders.
2. **Net Investment Income.** Represents the total earnings of the Fund from its investment securities, less operating expenses and income tax. This gauges how efficiently the Fund has utilized its resources in a given time period.
3. **Assets Under Management (AUM).** These are the assets under the Fund's disposal. This measures investor confidence (increase/decrease brought about by investor subscriptions/redemptions) as well as the growth of the Fund (increase/decrease brought about by its operational income and market valuation of its assets and liabilities)
4. **Cash Flow.** Determines whether the Fund was able to achieve the optimal level of liquidity by being able to meet all its scheduled payments, while maintaining at the same time the maximum investments level and minimum cash level.

### Accounting Policies on Financial Assets at FVTPL

#### *Initial recognition*

Financial assets are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets, except for investments classified as at FVTPL. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

#### Classification and subsequent measurement

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company's financial assets as at March 31, 2017 and December 31, 2016 consist of financial assets at FVTPL and loans and receivables.

#### *Financial assets at FVTPL*

The Company classifies financial assets at FVTPL when the financial asset is either held for trading or designated as such upon initial recognition.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and it is permitted that the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resulting gain or loss recognized in profit or loss.

The Company's financial assets classified under this category include investments in fixed-income securities and special savings deposits.

#### *Incorporation*

The Company was incorporated on November 3, 2004 with 2,000,000 authorized shares at par value of P1.00 per share.

#### *Approved changes*

On March 11, 2011, the Board of Directors approved the increase in authorized share capital of 8,000,000 shares (from 2,000,000 shares to 10,000,000 shares both with par value of P1.00), which was approved by the shareholders on June 28, 2012.

On June 29, 2012, the Company submitted its application with the SEC for increase in authorized share capital of 8,000,000 shares (from 2,000,000 shares to 10,000,000 shares both with par value of P1.00).

Deposit for future stock subscription received in 2012 amounting to \$21,120,888 was classified as equity since the Company has met all the conditions required for recognition as equity.

The SEC approved the increase on May 10, 2013 and the registration statements on February 27, 2014.

#### *Current state*

As at March 31, 2017, the Company has 10,000,000 authorized and registered shares, with a par value of P1.00 per share.

Out of the present Authorized Capital of the Company, 5,894,705 shares are outstanding as of March 31, 2017.

#### 31 March 2017 and 31 March 2016

The Company registered a slight decrease in net assets of US\$ 82 Thousand from US\$ 17.4 Million in December 2016 to US\$ 17.3 Million in March 2017. Decrease was mainly due to acquisition of treasury shares and loss realized from disposal of fixed income investments during the period.

Net profit for the period ended March 31, 2017 was US\$ 243 Thousand. This is US\$ 502 Thousand (67%) lower than last year's profit of US\$ 745 Thousand. Trading loss realized from disposal of fixed income investments mainly contributed to the decrease.

The Company was able to meet all its monetary obligations to its shareholders (for redemption) and creditors for the period covered. It does not foresee any event that could trigger a direct or contingent financial obligation that is material to its operations.

No material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities/other persons were created during the reporting period. Likewise, there are no known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations and liquidity.

There are no significant elements of income that did not arise from the Company's continuing operations.

#### **Material Changes in the 1<sup>st</sup> Quarter Financial Statements**

##### **Statement of Financial Position - March 31, 2017 vs. December 31, 2016**

1.1 Cash decreased by US\$ 220 Thousand (55%) from US\$ 403 Thousand to US\$ 183 Thousand but still liquidity requirements were met.

1.2 Financial Assets at Fair Value through Profit and Loss higher by US\$ 206 Thousand from US\$ 16.8 Million to US\$ 17 Million mainly due impact of favorable market condition during the period.

1.3 Accrued Interest Receivables decreased by US\$ 72 Thousand (29%) from PHP 247 Thousand to US\$ 175 Thousand. This is due to lower accrued interest from fixed income investments. Collection of receivable depends on the scheduled interest payments of each asset held.

1.4 Other current assets pertain to prepaid expenses which are to be amortized until the end of the accounting period.

1.5 Accrued Expenses and other payables slightly increased by US\$ 539 (7%) from US\$ 7.5 Thousand in December 2016 to US\$ 8.1 Thousand in March 2017 mainly due to accrual of expenses during the reporting period.

1.4 Payable to Fund Manager decreased by US\$ 2 Thousand (7%) from US\$ 30 Thousand to US\$ 28 Thousand mainly due to lower outstanding recoverable expenses due to SLAMCI for the period.

Average daily net asset value from January to March 2017 and January to March 2016 is US\$ 17,509,651 and US\$ 16,651,572, respectively.

##### **Statement of Comprehensive Income For three months ended - March 31, 2017 vs. March 31, 2016.**

2.1 Decrease in revenue by US\$ 502 Thousand (130%) from US\$ 386 Thousand profit to a loss of US\$ (116) Thousand was mainly due to realized trading losses from disposals of fixed income investments during the period.

2.2 Increase in total operating expenses by US\$ 7 Thousand (9%) was due to higher Management Fees for the period.

2.3 Net profit for the period ended March 31, 2017 was US\$ 243 Thousand. US\$ 502 Thousand lower than last year's net profit of US\$ 745 Thousand. Trading loss realized from disposal of fixed income investments mainly contributed to the decrease.

#### **Statement of Changes in Equity**

1.57 Total equity slightly decreased by US\$ 82 Thousand (0.47%) from US\$ 17.4 Million as of December 31, 2016 to US\$ 17.3 Million as of March 31, 2017.

## PART II – RISK MANAGEMENT

### Item 1. Financial Risk Exposures of the Company

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

The Company's activities expose it to a variety of financial risks: Interest rate risk; credit risk; and liquidity risk. The Fund Manager exerts best efforts to anticipate events that would negatively affect the value of the Company' assets and takes appropriate actions to counter these risks. However, there is no guarantee that the strategies will work as intended. The policies for managing specific risks are summarized below:

**1.1 Market Risks:** The Fund is invested in fixed income securities. Interest Rate Risk is applicable to fixed income investments of the Fund when the value of an investment of the Fund decreases due to movement in market factors such as changes in interest rates. Changes in interest rates applicable to fixed income investments refer to the period when interest rates rise, the market price of the bonds held by the Fund, if any, may fall. The longer the overall maturity of the bonds held by the Fund, the more sensitive the prices of the bonds will be to changes in interest rates. This risk is minimized by closely monitoring the direction of interest rates and aligning it with the appropriate strategy of the Fund for fixed income investments.

The fund will manage interest rate risk by actively monitoring the prevailing interest rate environment and spreads on Philippine bonds. During periods of rising rates and widening of credit spreads, the fund manager will reduce the duration of the portfolio. During periods of falling rates and narrowing credit spreads, the fund manager will increase the duration of the portfolio.

**1.2 Credit Risk:** Investments in bonds carry the risk that the issuer of the bonds might default on its interest and principal payments. In the event of default, the Fund's value will be adversely affected and may result in a write-off of the concerned asset held by the Fund. To mitigate the risk, each Issuer/Borrower/Counterparty passes through a stringent credit process to determine whether its credit quality complies with the prescribed standards of the Fund. Further, the credit quality of the Issuer/Borrower/Counterparty is reviewed periodically to ensure that excellent credit standing is maintained. Moreover, a 10% exposure limit to a single entity is likewise observed. It is good to note, however, that the Fund's government securities holdings are considered almost credit risk-free assets as they carry an unconditional guarantee of the Republic of the Philippines.

The manager will monitor the balance of payments position to monitor the credit risk for sovereign bonds. For corporate papers, preference will be given to companies with significant US dollar revenues.

**1.3 Liquidity Risk:** The Fund is usually able to service redemptions of investors within seven (7) banking days after receipt of the notice of redemption by paying out redemptions from available cash or near cash assets in its portfolio. However, when redemptions exceed the Funds available cash or near cash assets in its portfolio, the Fund will have to sell its other security holdings; and during periods of extreme market volatility, the Fund may not be able to find a buyer for such assets. Consequently, the Fund may not be able to generate sufficient cash from its sale of assets to meet the redemptions within the normal seven (7) banking day period. To mitigate this, the Fund maintains adequate highly liquid assets in the form of cash, cash equivalents and near cash assets in its portfolio. As the Fund's portfolio is composed of liquid assets, liquidity risk is deemed low.

**1.4 Regulatory Risk:** The Fund's investments and operations are subject to various regulations affecting among others, accounting of assets and taxation. These regulations occasionally change, and may result in lower returns or even losses borne by the investors. For example, a higher tax imposed on the sale or purchase of underlying assets of the Fund may result in lower net asset value of the Fund. To mitigate this risk, SLAMCI adopts global best practices. Further, it maintains regular communications with the relevant government agencies to keep itself abreast of the issues giving them concern, and to have the opportunity to help them set standards for good governance. SLAMCI also takes an active participation in the Philippine Investment Funds Association, Inc. ("PIFA"), an association of mutual fund companies in the Philippines.

**1.5 Non-guarantee:** Unlike deposits made with banks, an investment in the Fund is neither insured nor guaranteed by the Philippine Deposit Insurance Corporation ("PDIC"). Hence, investors carry the

risk of losing the value of their investment, without any guaranty in the form of insurance. Moreover, as with any investment, it is important to note that past performance of the Fund does not guarantee its future success.

**1.6 Dilution Risk:** Being an open-end mutual fund, various investors may effectively subscribe to any amount of shares of the Fund. As such, investors face the risk of their investments being diluted as more investors subscribe to shares of the Fund. The influence that the investors can exert over the control and management of the Fund decreases proportionately.

**1.7 Large Transaction Risk:** If an investor in a Fund makes a large transaction, the Fund's cash flow may be affected. For example, if an investor redeems a large number of shares of a Fund, that Fund may be forced to sell securities at unfavorable prices to pay for the proceeds of redemption. This unexpected sale may have a negative impact on the net asset value of the Fund.

**1.8 Foreign Currency Risk:** The investments of the fund will be held in fixed income securities denominated in US Dollars. The value the USD fluctuates constantly against the Philippine peso due to a myriad of factors, principally interest rates and inflation rates in their respective domiciles. These in turn will affect the value of the fixed income instruments, ultimately impacting the NAVPS of the fund.

**1.9 Fund Manager Risk:** The performance of the Fund is also dependent on the Fund Manager's skills. Hence, the Fund may underperform in the market and/or in comparison with similar funds due to investment decisions made by the Fund Manager, and may also fail to meet the Fund's investment objectives. The Board of Directors of the Issuer, however, shall ensure that all investment policies and restrictions enumerated in the Prospectus are strictly followed.

## 2. Capital Risk Management Objectives and Policies

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the mix of high-quality debt from domestic issuers.

The Company is guided by its Investment Policies and Legal Limitations. All the proceeds from the sale of shares, including the original subscription payments at the time of incorporation constituting the paid-in capital, is held by the pertinent custodian banks.

The capital structure of the Company consists of issued capital.

The Company is also governed by the following fundamental investment policies:

- It does not issue senior securities;
- It does not intend to incur any debt or borrowing. In the event that borrowing is necessary, it can do so only if, at the time of its incurrence or immediately thereafter, there is asset coverage of at least 300% for all its borrowings;
- It does not participate in any underwriting or selling group in connection with the public distribution of securities, except for its own share capital;
- It generally maintains a diversified portfolio. Industry concentrations may vary at any time depending on the investment manager's view on the prospects;
- It does not invest directly in real estate properties and developments;
- It does not purchase or sell commodity futures contracts;
- It does not engage in lending operations to related parties such as the members of the Board of Directors, officers of the Company and any affiliates, or affiliated corporations of the Company;
- The asset mix in each type of security is determined from time to time, as warranted by economic and investment conditions; and



- It does not change its investment objectives without the prior approval of a majority of its shareholders.

The Investment Policies refer to the following:

- Investment Objective -to provide regular returns through investments in a diversified portfolio of US Dollar-denominated fixed income instruments issued by the Philippine government, other major economies, or corporations operating therein or through diversified investment companies invested in such securities.
- Benchmark - 90% JP Morgan Asian Credit Index and 10% 30-day US Dollar Deposit Rate.
- Asset Allocation Range - the Company allocates its funds available for investments among cash and other deposit substitutes and fixed-income securities based on certain proportion as approved by Management.

Other matters covered in the investment policy include the fees due to be paid to the Fund Manager with management and distribution fees each set at an annual rate of 1.5% of the net assets attributable to shareholders on each valuation day.

As of March 31, 2017 and same period last year, the Company is consistently in compliance with the minimum paid-in capital requirement of the SEC of PHP 50 million.

### 3. The amount and description of the company's investment in foreign securities

The Company does not have any investment in foreign securities.

### 5. The significant judgments made in classifying a particular financial instrument in the fair value hierarchy

#### CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations, that Management has made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognized in the financial statements.

##### *Functional currency*

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the US dollar (USD). The USD is the currency of the primary economic environment in which the Company operates. It is the currency being used to report the Company's results of operations.

##### *Loans and receivables designated as at FVTPL*

The Company designated its special savings deposits as financial asset at FVTPL since it forms part of a group of managed financial assets whose performance is evaluated on a fair value basis, in accordance

with the Company's documented risk management or investment strategy. The information about the group of managed financial assets is provided internally on that basis to the Company's management.

As at March 31, 2017 and December 31, 2016 the carrying amount of special savings deposits designated as financial assets at FVTPL amounted to US\$ 809,100 and US\$ 2,440,200, respectively.

#### *Puttable shares designated as equity instruments*

The Company designated its redeemable share capital as equity instruments when the Company adopted the amendments in PAS 32, *Financial Instruments: Presentation*, and PAS 1, *Presentation of Financial Statements: Financial Instruments Puttable at Fair Value and Obligations arising on Liquidation*, effective for annual reporting periods beginning on or after January 1, 2009. The Company's share capital met the specified criteria to be presented as equity.

A puttable financial instrument includes a contractual obligation for the issuer to repurchase or redeem that instrument for cash or another financial asset on exercise of the put. As an exception to the definition of a financial liability, an instrument that includes such an obligation is classified as an equity instrument if it has met all the following features:

- a. it entitles the holder to a pro rata share of the entity's net assets in the event of the entity's liquidation. The entity's net assets are those assets that remain after deducting all other claims on its assets;
- b. it is in the class of instruments that is subordinate to all other classes of instruments;
- c. all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- d. apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity, and it is not a contract that will or may be settled in the entity's own equity instruments; and
- e. the total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument (excluding any effects of the instrument).

As at March 31, 2017 and December 31, 2016, the recognized equity in the statements of financial position amounted to US\$ 17,331,105 and US\$ 17,413,545, respectively.

#### **Key Sources of Estimation Uncertainty**

The following are the Company's key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Deferred tax assets*

The Company reviews the carrying amount at the end of each reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. There is no assurance that the Company will generate sufficient taxable profit that will allow all or part of its deferred tax assets to be utilized.

Based on Management's expectation of the Company's future taxable income, the Company did not recognize deferred tax assets as at December 31, 2016 and 2015.

#### *Determining fair value of investments in debt securities classified as financial assets as at FVTPL*

The Company carries its investments in traded debt securities and special savings deposits at fair value, which requires use of accounting estimates and judgment. Since market interest rate is a significant

component of fair value measurement, fair value would differ if the Company applied a different set of reference rates in the valuation methodology. Any change in the fair value of these financial assets would affect profit or loss and equity.

As at March 31, 2017 and December 31, 2016, the carrying amounts of financial assets carried at fair value through profit or loss subsequent to initial recognition amounted to US\$ 17,008,295 and US\$ 16,801,871, respectively. The net unrealized fair value gain on investments amounting to US\$ 444,599 in March 31, 2017 and US\$ 436,900 March 31, 2016 respectively, are recognized as part of profit before tax in the statements of comprehensive income.

#### Compliance with Foreign Account Tax Compliance Act (FATCA)

In accordance with the requirements of the US Internal Revenue Service ("IRS") and the Intergovernmental Agreement ("IGA") between the Government of the United States of America and the Government of the Republic of the Philippines to Improve International Tax Compliance and to Implement FATCA which was signed last July 13, 2015, the Fund has registered with the Internal Revenue Service (IRS) and has obtained its own GIIN as a sponsored entity. Sun Life Asset Management Company, Inc. ("SLAMCI") continues to assume responsibilities for the Fund's FATCA compliance as the Sponsoring Entity and has implemented FATCA onboarding processes and procedures as well as system enhancements to monitor its new and pre-existing account holders who are U.S. Persons and have U.S. Indicia.

The Fund, together with its Sponsoring Entity, SLAMCI, is preparing to comply for FATCA reporting on the date which will be set by the Bureau of Internal Revenue as soon as the IGA has been ratified by the Senate.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer : Sun Life Prosperity Dollar Abundance Fund, Inc.

Principal Financial/Accounting Officer/Comptroller:

Signature and Title : Treasurer

  
Candy S. Esteban

Date : May 11, 2017

**SUN LIFE PROSPERITY DOLLAR ABUNDANCE FUND, INC**  
**Schedule of Investments**  
**Financial assets at fair value through profit and loss**

Name of Issuing Entity and Association of Each Issue	March 31, 2017		December 31, 2016	
	Number of Shares / Principal Amount of Bonds and Notes	Market Value	Principal Amount of Bonds and Notes	Amount Shown in Balance Sheet
Other Short Term Cash Investment				
Special Savings Accounts, BPI	809,100	\$809,100	540,200	\$540,200
Special Savings Accounts, Unionbank	-	-	1,900,000	1,900,000
	809,100	809,100	2,440,200	2,440,200
Long Term Investments				
Treasury Notes - Republic of the Philippines	5,440,394	5,440,394	6,353,164	6,353,164
Corporate Issued Bonds (ICT 2020)	2,361,156	2,361,156	2,359,497	2,359,497
PCORPM 7 1/2 PERP	2,486,774	2,486,774	-	-
BNP 3.8 01/10/24	1,194,276	1,194,276	-	-
PLDT Bonds	-	-	503,785	503,785
Dollar Private Bonds	-	-	-	-
SM Investments Corporation 2024	678,347	678,347	1,396,116	1,396,116
T 2 7/8 11/15/46	1,016,449	1,016,449	-	-
PHILIP 3.7 02/02/42	1,543,831	1,543,831	-	-
T 2.25 02/15/2027	1,477,969	1,477,969	-	-
SM investments Corporation 2017	-	-	1,022,080	1,022,080
US718286CA32	-	-	2,727,029	2,727,029
<b>TOTAL</b>	<b>17,008,295</b>	<b>\$17,008,295</b>	<b>19,242,071</b>	<b>\$16,801,871</b>

**SUN LIFE PROSPERITY ABUNDANCE FUND, INC.**  
Schedule of Financial Soundness Indicators and Financial Ratios  
March 31, 2017 and December 31, 2016

	2017	2016
<i>Current/ Liquidity Ratios</i>		
a. Current ratio	475.87:1	456.55:1
b. Quick ratio	475.82:1	456.55:1
c. Cash ratio	5.01:1	10.54:1
d. Days in receivable	N/A	N/A
e. Working capital ratio	1.00:1	1.00:1
f. Net working capital to sales ratio	(149.77:1)	11.38:1
g. Defensive Interval Ratio	18,299.91:1	18,559.08:1
<i>Solvency Ratios</i>		
a. Long-term debt to equity ratio	0.00	0.00
b. Debt to equity ratio	0.01	0.00
c. Long term debt to total asset ratio	0.00	0.00
d. Total debt to asset ratio	0.01	0.00
Asset to equity ratio	1.01:1	1.00:1
Interest rate coverage ratio	N/A	N/A
<i>Profitability Ratio</i>		
a. Earnings before interest and taxes (EBIT) margin	(2.11)	0.16
b. Earnings before interest, taxes and depreciation and amortization (EBITDA) margin	(2.11)	0.16
c. Pre-tax margin	(2.11)	0.16
d. Effective tax rate	1.00%	0.07%
e. Post-tax margin	(2.11)	0.16
f. Return on equity	1.40%	1.46%
g. Return on asset	1.40%	1.46%
Capital intensity ratio	(150.09:1)	11.41:1
Dividend payout ratio	N/A	N/A

Sun Life Prosperity Dollar Abundance Fund Inc.

i. Percentage of Investment in a Single Enterprise to Net Asset Value  
As of March 31, 2017 and December 31, 2016

	2017			2016		
	Investment (Market Value)	Net Asset Value	% over NAV	Investment (Market Value)	Net Asset Value	% over NAV
<b>Treasury Notes (ISIN)</b>						
<b>Dollar Private Bonds</b>						
SM Investments Corporation 2024	678,347	17,331,105	3.91%	1,396,116	17,413,545	8.02%
SM investments Corporation 2017	-	17,331,105	0.00%	1,022,080	17,413,545	5.87%
BNP 3.8 01/10/24	1,194,276	17,331,105	6.89%	-	-	-
PCORPM 7 1/2 PERP	2,486,774	17,331,105	14.35%	-	-	-
<b>Corporate Issued Bonds</b>						
International Container Terminal 2020	2,361,156	17,331,105	13.62%	2,359,497	17,413,545	13.55%
<b>PLDT Bonds</b>						
PLDT17	-	-	-	503,785	17,413,545	2.89%
<b>Treasury Notes - Republic of the Philippines</b>						
ROP34	1,950,000	17,331,105	11.25%	1,707,734	17,413,545	9.81%
ROP25	76,137	17,331,105	0.44%	76,782	17,413,545	0.44%
ROP19B	-	-	-	812,070	17,413,545	4.66%
ROP30	1,266,080	17,331,105	7.31%	1,257,464	17,413,545	7.22%
ROP31	713,280	17,331,105	4.12%	701,215.00	17,413,545	4.03%
ROP24B	1,434,897	17,331,105	8.28%	1,572,678.00	17,413,545	9.03%
US718286CA32	-	-	-	2,727,028.56	17,413,545	15.66%
ROP37	-	-	-	225,222	17,413,545	1.29%
T 2 7/8 11/15/46	1,016,449	17,331,105	5.86%	-	-	-
PHILIP 3.7 02/02/42	1,543,831	17,331,105	-	-	-	-
T 2.25 02/15/2027	1,477,969	17,331,105	8.53%	-	-	-

ii. Total Investment of the Fund to the Outstanding Securities of an Investee Company  
As of March 31, 2017 and December 31, 2016

	2017			2016		
	Investment (Market Value)	Outstanding Securities	over Investee	Investment (Market Value)	Outstanding Securities	% over Investee
<b>Treasury Notes (ISIN)</b>						
<b>Dollar Private Bonds</b>						
SM Investments Corporation 2024	678,347	350,000,000,000	0.00%	1,396,116	350,000,000,000	0.00%
SM investments Corporation 2017	-	-	-	1,022,080	400,000,000,000	0.00%
BNP 3.8 01/10/24	1,194,276	**	-	-	-	-
PCORPM 7 1/2 PERP	2,486,774	**	-	-	-	-
<b>Corporate Issued Bonds</b>						
International Container Terminal 2020	2,361,156	450,000,000,000	0.00%	2,359,497	450,000,000,000	0.00%
<b>PLDT Bonds</b>						
PLDT17	-	-	-	503,785	300,000,000,000	0.00%
<b>Treasury Notes - Republic of the Philippines</b>						
ROP34	1,950,000	2,310,920,000	0.08%	1,707,734	2,310,920,000	0.07%
ROP25	76,137	1,552,888,000	0.00%	76,782	1,552,888,000	0.00%
ROP19B	-	-	0.00%	812,070	1,237,751,000	0.07%
ROP30	1,266,080	1,926,126,000	0.07%	1,257,464	1,926,126,000	0.07%
ROP31	713,280	2,069,147,000	0.03%	701,215	2,069,147,000	0.03%
ROP24B	1,434,897	166,893,000	0.86%	1,572,678	166,893,000	0.94%
US718286CA32	-	-	-	2,727,029	**	-
ROP37	-	-	-	225,222	1,500,000,000	0.02%
T 2 7/8 11/15/46	1,016,449	**	-	-	-	-
PHILIP 3.7 02/02/42	1,543,831	**	-	-	-	-
T 2.25 02/15/2027	1,477,969	**	-	-	-	-

iii. Total Investment in Liquid or Semi-Liquid Assets to Total Assets  
As of March 31, 2017 and December 31, 2016

	2017	2016
Total Liquid and Semi-Liquid Assets	17,365,996	17,451,770
TOTAL ASSETS	17,367,602	17,451,770
Total Liquid and Semi-Liquid Assets to Total Assets	99.99%	100.00%

iv. Total Operating Expenses to Total Net Worth  
As of March 31, 2017 and December 31, 2016

	2017	2016
Total Operating Expenses	85,407	338,521
Average Daily Net Worth	17,509,651	17,263,737
Total Operating Expenses to Total Net Worth	0.49%	1.96%

v. Total Assets to Total Borrowings  
As of March 31, 2017 and December 31, 2016

	2017	2016
Total Assets	17,367,602	17,451,770
Total Borrowings	36,497	38,225
Total Assets to Total Borrowings	47586%	45655%

This document contains key information you should know about the Sun Life Prosperity Dollar Abundance Fund. You can find more detailed information in the Fund's prospectus. Ask your advisor for a copy, contact the manager, Sun Life Asset Management Company, Inc., at 849-9888 or [phil\\_prosperity@sunlife.com](mailto:phil_prosperity@sunlife.com) or visit [www.sunlifefunds.com](http://www.sunlifefunds.com).

Launch Date	March 1, 2005	Minimum Holding Period	None	Minimum Subscription	USD 1,000
Fund Size	USD 17,482,059.94	Management and Distribution Fee	1.50%	Minimum Subsequent	USD 200
Net Asset Value Per Share	2.9199	Transfer Agency Fee	0.15%	Risk Classification	Low to Moderate
Benchmark	95%JP Morgan Asian Credit Index + 5% 30-day USD Dep Rate	Early Redemption Fee	None		

## What does the Fund invest in?

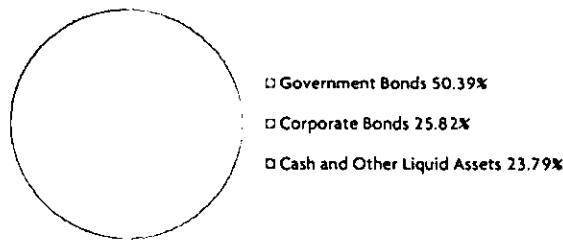
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The Fund is suitable for investors with a low risk tolerance and a medium-term investment horizon. This is for moderately conservative investors who want relatively stable and reasonable returns in US Dollars.

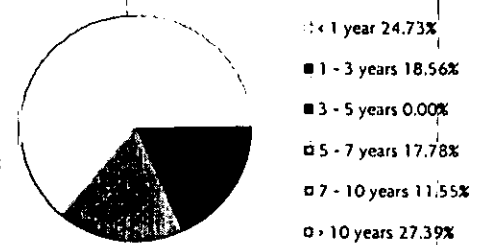
### Top Fixed Income Holdings

1. ROP 2034, 13.65%
2. Corporate Bonds, 11.54%
3. ROP 2024, 7.64%
4. ROP 2046, 7.53%
5. ROP 2042, 7.39%

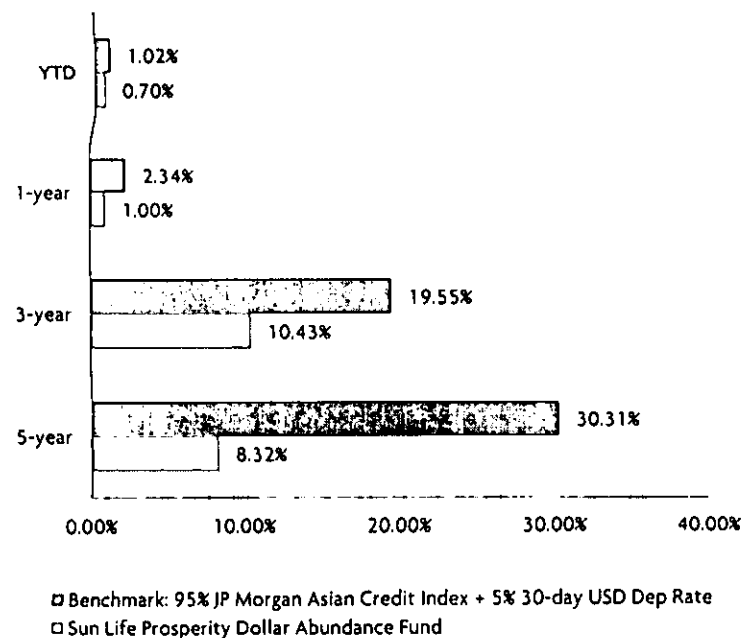
### Investment Mix



### Maturity Profile



## How has the Fund performed?



## What is the outlook on the market?

It was a volatile month for US yields, although it was not apparent on a month-on-month basis as both ten-year and thirty-year yields ended flattish. At the start of the year, US Treasuries rallied as concerns of Brexit risks resurfaced following UK Prime Minister's comments. Additionally, the 3-year and 10-year auction drew strong demand for the month which contributed to the downward bias in US yield. Gains were reversed in the second half of the month following Fed Yellen's hawkish comments on US monetary policy. US Treasury yields hastily rose following the Dow as it touched 20,000 for the first time.

Locally, meanwhile, the Bureau of Treasury Issued \$2 billion worth of the new ROP 2042 where \$1.5 billion was raised through a liability management program, while the \$500 million came from new money. The new bond, the ROP 42, which has the longest tenor among the suite, was awarded at a coupon of 3.7%, incidentally the shortest also, and equal to the coupon rate of the ROP 41. The new ROP traded as low as 96 from previous its issue price of 100 in the first week of trading alone as it was issued at a time when the thirty-year USD yield was above 3.0% and the spread was at the tightest level.

The Dollar Abundance Fund gained 0.70% in January while the benchmark earned 1.02%. The ROP swap was generally detrimental to the performance of the fund as prices for the newly-issued bond fell as much as 4%.

The Fund will continue to improve the accrual income of the portfolio and continue to generate alpha on relative value play.

Invest wisely. Investing involves risk and there is no guarantee that the Funds will meet their stated objectives and/or that you will not lose money on your investment. Past performance is not indicative of and does not represent future returns. Share values and yields fluctuate so your shares may be worth more or less than your original investment. Current Fund performance may be lower or higher than the performance quoted so you may not get back the full amount of your original investment. Please consider the Funds' investment objectives, risks, charges and expenses before investing. You can find additional information, including important risk considerations, in the Sun Life Prosperity Funds' prospectuses, which may be obtained from duly authorized Sun Life Prosperity Fund Distributors, or by calling 849-9888 or visiting [www.sunlifefunds.com](http://www.sunlifefunds.com). Read the prospectuses carefully before investing.



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Launch Date	March 1, 2005	Minimum Holding Period	None	Minimum Subscription	USD 1,000
Fund Size	USD 17,561,038.85	Management and Distribution Fee	1.50%	Minimum Subsequent	USD 200
Net Asset Value Per Share	2.9422	Transfer Agency Fee	0.15%	Risk Classification	Low to Moderate
Benchmark	95%JP Morgan Asian Credit Index + 5% 30-day USD Dep Rate	Early Redemption Fee	None		

## What does the Fund invest in?

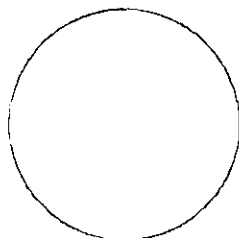
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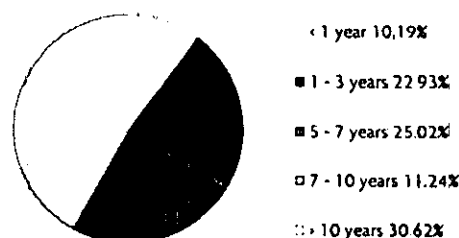
### Top Fixed Income Holdings

1. ROP 2034, 16.03%
2. Corporate Bonds, 13.43%
3. Corporate Bonds, 9.32%
4. ROP 2024, 8.94%
5. ROP 2042, 8.72%

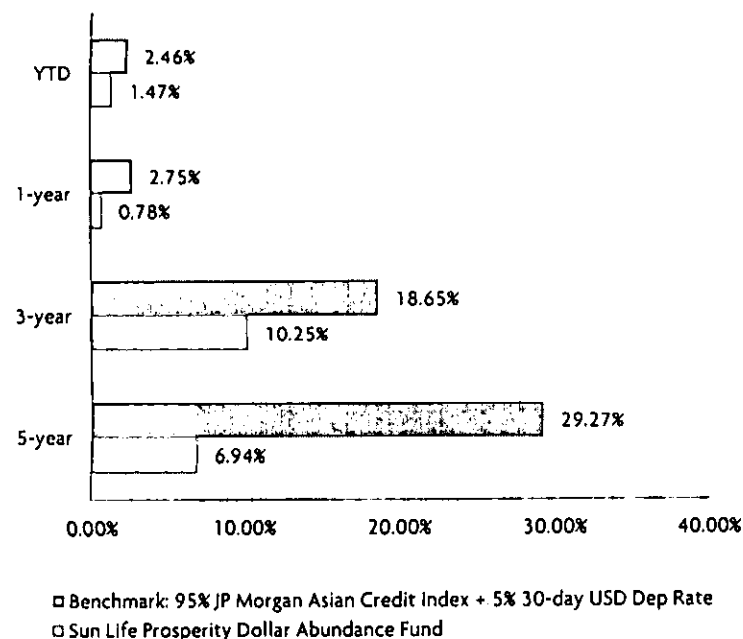
### Investment Mix



### Maturity Profile



## How has the Fund performed?



## Market Review

- The general Philippine USD bond market gained ↑ 1.50% in February
- Ten-year US rates declined by ↑ 6 bps for the month despite expectations of a March Fed hike ↓ doubling from 25% to 50%
- Dollar Abundance Fund returned 0.76% ↑ for the month
- The Fund lagged ↓ the benchmark because of its holdings in the 7-10Y bucket
- Corporate names in the portfolio lagged ↓ their ROP counterparts despite higher accrual.

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Launch Date	March 1, 2005	Minimum Holding Period	None	Minimum Subscription	USD 1,000
Fund Size	USD 17,331,196.19	Management and Distribution Fee	1.50%	Minimum Subsequent	USD 200
Net Asset Value Per Share	2.9401	Transfer Agency Fee	0.15%	Risk Classification	Low to Moderate
Benchmark	95% JP Morgan Asian Credit Index + 5% 30-day USD Dep Rate	Early Redemption Fee	None		

## What does the Fund invest in?

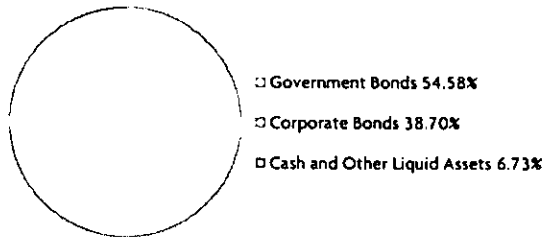
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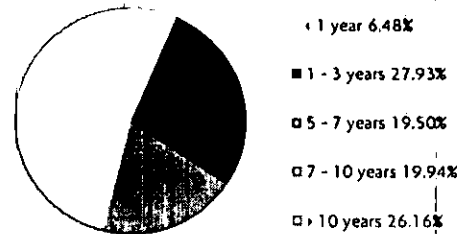
### Top Fixed Income Holdings

1. Corporate Bonds, 14.32%
2. Corporate Bonds, 13.6%
3. ROP 2034, 11.23%
4. ROP 2042, 8.89%
5. ROP 2027, 8.51%

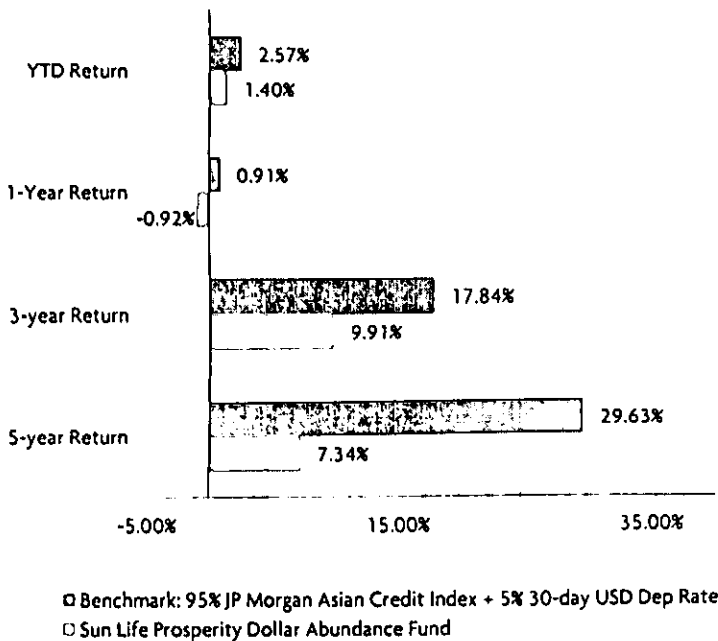
### Investment Mix



### Maturity Profile



## How has the Fund performed?



## Market Review

- Philippine USD bonds gained 0.12% in March.
- Ten-year and thirty-year US rates ended flat for the month.
- Fed hiked rates as widely expected, currently between 0.75-1.00%.
- The Fund ended lower (0.07% ↓) for the month. It lagged the wider market due to holdings of US Treasuries.

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