COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number
A 1 9 9 9 0 8 7 1 5

Company Name
S U N L I F E O F C A N A D A P R O S P E R I T Y
B O N D F U N D I N C .

Principal Office (No./Street/Barangay/City/Town)Province)
S U N L I F E C E N T R E 5 T H A V E . C O R .
R I Z A L D R I V E , B O N I F A C I O G L O B A L
C I T Y , T A G U I G C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	C R M D	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
sunlife_sec_communications@sunlife.com	8555-8888	0999-991-7178

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
18,119	Every Fourth Friday of June	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
JEANEMAR S. TALAMAN	Jeanemar.Talaman@sunlife.com	8555-8888	N/A

Contact Person's Address

SUN LIFE CENTRE, 5TH AVE. COR. RIZAL DRIVE, BONIFACIO GLOBAL CITY, TAGUIG CITY

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commimission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of teh new contact person designated

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Futher, non-receipt of Notice of Defeciencies shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION
THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph

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Company Information

SEC Registration No.: A199908715
Company Name: SUN LIFE OF CANADA PROSPERITY BOND FUND INC.
Industry Classification: J66910
Company Type: Stock Corporation

Document Information

Document ID: OST10415202482196383
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2023
Submission Type: Annual
Remarks: None

Acceptance of this document is subject to review of forms and contents

Mariel Javal

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BOA/PRC Reg. No. 0004

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
SUN LIFE OF CANADA PROSPERITY BOND FUND, INC.
(An Open-end Investment Company)
Sun Life Centre, 5th Avenue corner Rizal Drive
Bonifacio Global City, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sun Life of Canada Prosperity Bond Fund, Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2023, 2022 and 2021, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years ended December 31, 2023, 2022 and 2021, in accordance with Philippine Financial Reporting Standards ("PFRS").

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

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

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

Report on Other Legal and Regulatory Requirements

Report on the Supplementary Information Required by the Bureau of Internal Revenue

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 22 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.

Navarro Amper & Co.
BOA Registration No. 0004, valid from June 7, 2021 to September 22, 2024
TIN 005299331

By:

Lloyd Ryan C. Moraño
Partner
CPA License No. 0108235
TIN 226-565-008
BIR A.N. 08-002552-090-2023, issued on March 10, 2023; effective until March 9, 2026
PTR No. A-6110718, issued on January 18, 2024, Taguig City

Taguig City, Philippines
April 8, 2024

SUN LIFE OF CANADA PROSPERITY BOND FUND, INC.
(An Open-End Investment Company)

STATEMENTS OF FINANCIAL POSITION

		December 31	
	Notes	**2023**	2022
ASSETS			
Current Assets			
Cash and cash equivalents	6	**P 317,164,976**	P 330,588,098
Financial assets at fair value through profit or loss	8	**5,293,496,522**	3,812,227,318
Financial assets at amortized cost - current portion	9	**86,998,986**	30,919,709
Accrued interest receivable	7	**69,084,100**	31,674,116
Due from brokers	10	**2,349,000**	-
Prepayments and other current assets		**22,870,103**	22,529,727
Total Current Assets		**5,791,963,687**	4,227,938,968
Non-current Asset			
Financial assets at amortized cost - net of current portion, net	9	**162,803,191**	247,330,831
		P5,954,766,878	P4,475,269,799
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued expenses and other payables	11	**P 4,132,397**	P 3,194,085
Payable to fund manager	12	**6,196,745**	4,815,682
Total Current Liabilities		**10,329,142**	8,009,767
Equity			
Share capital	13	**37,303,995**	37,303,995
Additional paid-in capital	14	**7,896,111,249**	7,565,084,021
Retained earnings		**3,987,954,860**	3,732,286,938
		11,921,370,104	11,334,674,954
Treasury shares	13	**(5,976,932,368)**	(6,867,414,922)
Total Equity		**5,944,437,736**	4,467,260,032
		P5,954,766,878	P4,475,269,799
Net Asset Value Per Share	15	**P 3.3130**	P 3.1457

See Notes to Financial Statements.

SUN LIFE OF CANADA PROSPERITY BOND FUND, INC.

(An Open-End Investment Company)

STATEMENTS OF COMPREHENSIVE INCOME

		For the Years Ended December 31		
	Notes	**2023**	2022	2021
Investment Income - net				
Interest income	16	**P283,804,777**	P163,713,048	P158,259,554
Net realized gains (losses) on investments	8	**(28,659,627)**	(31,182,305)	(45,394,557)
Other income		**(18,159)**	22,259	90,930
		255,126,991	132,553,002	112,955,927
Operating Expenses				
Management and transfer fees	12	**38,244,764**	32,172,006	35,257,357
Distribution fees	12	**29,419,049**	24,636,567	27,032,126
Taxes and licenses		**1,067,576**	1,219,942	1,145,017
Provision for (Reversal of) expected credit losses	9, 21	**(216,070)**	(1,108,640)	1,655,518
Custodianship fees		**431,140**	390,191	429,099
Professional fees		**769,255**	376,696	391,220
Directors' fees	12	**260,026**	259,940	421,308
Printing and supplies		**16,981**	18,613	23,344
Miscellaneous		**80,815**	190,851	52,859
		70,073,536	58,156,166	66,407,848
Profit Before Net Unrealized Losses on Investments		**185,053,455**	74,396,836	46,548,079
Net Unrealized Gains (Losses) on Investments	8	**120,622,561**	(103,742,674)	(65,838,785)
Profit (Loss) Before Tax		**305,676,016**	(29,345,838)	(19,290,706)
Income Tax Expense	19	**50,008,094**	24,925,664	20,231,505
Total Comprehensive Income (Loss) for the Year		**P255,667,922**	(P54,271,502)	(P39,522,211)
Basic and Diluted Earnings (Loss) per Share	17	**P 0.158**	(P 0.038)	(P 0.026)

See Notes to Financial Statements.

SUN LIFE OF CANADA PROSPERITY BOND FUND, INC.

(An Open-end Investment Company)

STATEMENTS OF CHANGES IN EQUITY

		For the Years Ended December 31				
	Notes	**Share Capital**	**Additional Paid-in Capital**	**Retained Earnings**	**Treasury Shares**	**Total**
Balance, January 1, 2021	13,14	P 37,303,995	P 7,343,349,508	P 3,826,080,651	(P 5,930,425,462)	P 5,276,308,692
Total comprehensive loss for the year		-	-	(39,522,211)	-	(39,522,211)
Transactions with owners:	13					
Acquisition of treasury shares during the year		-	-	-	(1,266,470,537)	(1,266,470,537)
Reissuance of treasury shares during the year		-	77,024,821	-	639,594,479	716,619,300
Total transactions with owners		-	77,024,821	-	(626,876,058)	(549,851,237)
Balance, December 31, 2021	13,14	37,303,995	7,420,374,329	3,786,558,440	(6,557,301,520)	4,686,935,244
Total comprehensive loss for the year		-	-	(54,271,502)	-	(54,271,502)
Transactions with owners:	13					
Acquisition of treasury shares during the year		-	-	-	(910,215,959)	(910,215,959)
Reissuance of treasury shares during the year		-	144,709,692	-	600,102,557	744,812,249
Total transactions with owners		-	-	-	(310,113,402)	(165,403,710)
Balance, December 31, 2022	13,14	37,303,995	7,565,084,021	3,732,286,938	(6,867,414,922)	4,467,260,032
Total comprehensive income for the year		-	-	255,667,922	-	255,667,922
Transactions with owners:	13					
Acquisition of treasury shares during the year		-	-	-	(973,931,955)	(973,931,955)
Reissuance of treasury shares during the year		-	331,027,228	-	1,864,414,509	2,195,441,737
Total transactions with owners		-	331,027,228	-	890,482,554	1,221,509,782
Balance, December 31, 2023	13,14	**P37,303,995**	**P7,896,111,249**	**P3,987,954,860**	**(P5,976,932,368)**	**P5,944,437,736**

See Notes to Financial Statements.

SUN LIFE OF CANADA PROSPERITY BOND FUND, INC.
(An Open-End Investment Company)
STATEMENTS OF CASH FLOWS

		For the Years Ended December 31		
	Notes	**2023**	2022	2021
Cash Flows from Operating Activities				
Profit (Loss) before tax		**P 305,676,016**	(P 29,345,838)	(P19,290,706)
Adjustments for:				
Net unrealized losses on investments	8	**(120,622,561)**	103,742,674	65,838,785
Net realized losses (gains) on investments	8	**28,659,627**	31,182,305	45,394,557
Interest income	16	**(283,804,777)**	(163,713,048)	(158,259,554)
Provision for (Reversal of) expected credit losses	9, 21	**(216,070)**	(1,108,640)	1,655,518
Operating cash flows before working capital changes		**(70,307,765)**	(59,242,547)	(64,661,400)
(Increase) Decrease in:				
Prepayments and other current assets		**(340,376)**	309,261	(650,400)
Increase (Decrease) in:				
Accrued expenses and other payables		**938,312**	(1,032,800)	(43,413,504)
Payable to fund manager		**1,381,063**	(378,049)	(344,075)
Cash used in operations		**(68,328,766)**	(60,344,135)	(109,069,379)
Acquisition of financial assets at fair value through profit or loss	8	**(6,979,121,635)**	(10,214,479,400)	(9,632,027,216)
Proceeds from disposal of financial assets at fair value through profit or loss	8	**5,587,466,366**	10,421,853,377	9,990,068,795
Interest received		**246,394,793**	152,217,032	176,550,575
Income taxes paid		**(50,008,094)**	(24,925,664)	(20,231,505)
Net cash generated from (used in) operating activities		**(1,263,597,336)**	274,321,210	405,291,270
Cash flows from Investing Activities				
Additions to investment in corporate loans	9	**-**	(45,000,000)	-
Proceeds from principal generated from corporate loans	9	**28,664,432**	111,710,412	227,747,208
Net cash generated from investing activities		**28,664,432**	66,710,412	227,747,208
Cash Flows from Financing Activities				
Proceeds from reissuance of treasury shares	13	**2,195,441,737**	744,812,249	716,619,300
Payment for acquisition of treasury shares	13	**(973,931,955)**	(910,215,959)	(1,266,470,537)
Net cash generated from (used in) financing activities		**1,221,509,782**	(165,403,710)	(549,851,237)
Net Increase (Decrease) in Cash and Cash Equivalents		**(13,423,122)**	175,627,912	83,187,241
Cash and Cash Equivalents, Beginning		**330,588,098**	154,960,186	71,772,945
Cash and Cash Equivalents, End		**P 317,164,976**	P 330,588,098	P 154,960,186

See Notes to Financial Statements.

1. CORPORATE INFORMATION

Sun Life of Canada Prosperity Bond Fund, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 19, 2000 and started commercial operations on May 1, 2000. The Company is a registered open-end investment company under the Investment Company Act (Republic Act "R.A." No. 2629) and the Securities Regulation Code (R.A. No. 8799), formerly known as the Revised Securities Act (B.P. No. 178). It is engaged in the sale of redeemable shares and is designed to provide long-term interest income and principal preservation through investments in high-quality fixed-income securities issued by the Philippine government and prime Philippine companies aggregating below average risk. As an open-end investment company, its shares are redeemable anytime based on the Net Asset Value Per Share (NAVPS) at the time of redemption.

The Company appointed Sun Life Asset Management Company, Inc. (SLAMCI), an investment management company incorporated in the Philippines and a wholly owned subsidiary of Sun Life of Canada (Philippines), Inc. (SLOCPI), as its fund manager, adviser, administrator, distributor and transfer agent and provides management, distribution and all required operational services, as disclosed in Note 12.

The Company's registered office address and principal place of business is at Sun Life Centre, 5th Avenue corner Rizal Drive, Bonifacio Global City, Taguig City.

2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which include all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and the Board of Accountancy (BOA), and adopted by the SEC.

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.

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

Functional and Presentation Currency

These financial statements are presented in Philippine Peso, the currency of the primary economic environment in which the Company operates. All amounts are recorded to the nearest Peso, except when otherwise indicated.

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Adoption of New and Revised Accounting Standards Effective as at Reporting Period Ended December 31, 2023

The Company adopted all accounting standards and interpretations as at December 31, 2023. The new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and approved by the FSRSC in the Philippines, were assessed to be applicable to the Company's financial statements, are as follows:

Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements, Disclosure Initiative – Accounting Policies

The Company has adopted the amendments to PAS 1 for the first time in the current year. The amendments change the requirements in PAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in PAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The FSRSC has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in PFRS Practice Statement 2.

The Company has adopted the amendments by disclosing 'material accounting policy information' instead of 'significant accounting policy' and removing the accounting policies not considered as material.

Amendments to PAS 12 Income Taxes— International Tax Reform—Pillar Two Model Rules

The Company has adopted the amendments to PAS 12 for the first time in the current year. The FSRSC amends the scope of PAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in PAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Company is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

The amendments did not have a material impact to the financial statements of the Company as the Pillar Two legislation has not been enacted or substantially enacted in the jurisdiction where the Company operates.

New Accounting Standards Effective as at Reporting Period Ended December 31, 2023

At the date of authorisation of these financial statements, the company has not applied the following PFRS pronouncements that have been issued but are not yet effective:

Effective for annual periods beginning on or after January 1, 2024

- Amendments to PAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current
- Amendments to PAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants
- Amendments to PAS 7 Statement of Cash Flows and PFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements
- Amendments to PFRS 16 Leases—Lease Liability in a Sale and Leaseback

Effective for annual periods beginning on or after January 1, 2025

- Amendments to PAS 21 The Effects of Changes in Foreign Exchange Rates—Lack of Exchangeability
- PFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to PFRS 17)

Effective date is deferred indefinitely

- Amendments to PFRS 10 Consolidated Financial Statements and PAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Management anticipates that the adoption of the new or revised PFRSs in future periods will not have a material impact on the financial statements in the period of their initial adoption.

4. MATERIAL ACCOUNTING POLICY INFORMATION

Financial assets

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVTPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

Classification and Subsequent Measurement

The Company classifies its financial assets in the following measurement categories:

- FVTPL;
- Fair value through other comprehensive income (FVTOCI); and
- Amortized cost

Classification of financial assets will be driven by the entity’s business model for managing the financial assets and the contractual cash flows of the financial assets.

A financial asset is to be measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument represent solely payment of principal and interest (SPPI).

All other debt and equity instruments must be recognized at fair value.

All fair value movements on financial assets are taken through the statement of comprehensive income, except for equity investments that are not held for trading, which may be recorded in the statement of comprehensive income or in reserves (without subsequent recycling to profit or loss).

<u>Debt instruments</u>

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the group classifies its debt instruments:

- Amortized cost. Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- FVTPL. Assets that do not meet the criteria for amortized cost are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of comprehensive income within other gains/(losses) in period in which it arises. Interest income from these financial assets is included in finance income.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

For financial instruments, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (ECL), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost. For financial instruments other than POCI financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

<u>Equity instruments</u>

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

The Company subsequently measures all equity investments at FVTPL, except where the Company's Management has elected, at initial recognition, to irrevocably designate an equity instrument at FVTOCI. The Company's policy is to designate equity investments as FVTOCI when those investments are held for the purposes other than to generate investment returns. When the election is used, fair value gains and losses are recognized in other comprehensive income (OCI) and are not subsequently reclassified to profit or loss, including disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Company's right to receive payment is established.

Changes in the fair value of financial assets at FVTPL are recognized in net realized gains (losses) on investments in the statement of profit or loss as applicable.

Impairment of financial assets

The Company recognizes a loss allowance for ECL on investments in debt instruments that are measured at amortized cost and financial assets at FVOCI.

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to

12-month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

The Company monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument (e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost);
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. To assess if debt instruments are credit impaired, the Company considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

Measurement and recognition of ECL

The measurement of ECL is a function of the PD, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in OCI and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statements of financial position.

Presentation of allowance for ECL in the statements of financial position

Loss allowances for ECL are presented in the statements of financial position as a deduction from the gross carrying amount of the assets.

<u>Derecognition</u>

The Company derecognizes a financial asset only when the contractual rights to the asset's cash flows expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. 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 a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss, but is transferred to retained earnings.

Financial Liabilities and Equity Instruments

Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are measured at fair value, with any gains/losses arising on remeasurement recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

In making the determination of whether recognizing changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Company assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. This determination is made at initial recognition.

Since the company does not have financial liabilities classified at FVTPL, all financial liabilities are subsequently measured at amortized cost.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

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

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have 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

Share capital

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.

Revenue Recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer.

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 is recognized in profit or loss.

Fair value gains or losses

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

Expense Recognition

Expenses are recognized in profit or loss when incurred.

Expenses in the statements of comprehensive income are presented using the function of expense method. Investment expenses are transaction costs incurred in the purchase and sale of investments. Operating expenses are costs attributable to administrative and other business expenses of the Company including management fees and custodianship fees.

Fair Value

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 on 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

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, final tax and deferred tax expense.

Current tax

The current tax expense 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 25% regular corporate income tax (RCIT) rate or 1% minimum corporate income tax (MCIT) rate on July 1, 2020 to June 30, 2023 and 25% RCIT rate or 2% MCIT rate, whichever is higher, effective July 1, 2023, respectively.

Final tax

Final tax expense represents final taxes withheld on interest income from cash in banks, cash equivalents, 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 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 OCI or directly in equity, in which case, the current and deferred taxes are also recognized in OCI or directly in equity, respectively.

Earnings (Loss) per Share

The Company computes its basic earnings (loss) 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 (loss) 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 and shares to be issued on deposits for future stock subscriptions.

5. 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.

<u>Business model assessment</u>

Classification and measurement of financial assets depend on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortized cost that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

The Company measures its financial assets at amortized cost if the financial asset qualifies for both SPPI and business model test. The Company's business model is to hold the asset and to collect its cashflows which are SPPI. All other financial assets that do not meet the SPPI and business model test are measured at FVTPL.

As at December 31, 2023 and 2022, the Company's financial assets measured at FVTPL amounted to P5,293,496,522 and P3,812,227,318, respectively as disclosed in Note 8 and financial assets measured at amortized cost amounted to P636,051,253 and P640,512,754, respectively, composed of cash and cash equivalents, accrued interest receivable and financial asset at amortized cost as disclosed in Notes 6, 7 and 9.

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. PFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the qualitative and quantitative criteria have been met as disclosed in Note 21.

As at December 31, 2023 and 2022, the Company’s estimated allowance for credit losses for financial instruments measured at amortized cost amounted to P330,809 and P546,878, respectively as disclosed in Notes 9 and 21.

Models and assumptions used

The Company uses various models and assumptions in measuring the fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

The Company’s model and assumptions used in measuring fair value of financial assets and estimating ECL are disclosed in Notes 18 and 21, respectively.

Puttable shares designated as equity instruments

The Company’s share capital met the specified criteria to be presented as equity. The Company designated its redeemable share capital as equity instruments since the Company’s share capital met the criteria specified in PAS 32, *Financial Instruments: Presentation*, 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 December 31, 2023 and 2022, the recognized amount of share capital representing puttable shares in the statements of financial position amounted to P37,303,995 as disclosed in Note 13.

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.

<u>Probability of default (PD)</u>

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

As at December 31, 2023 and 2022, the Company assessed a probability of default of 0.13% and 0.20% respectively, for all of its financial assets measured at amortized cost.

The assumptions used by the Company in estimating PD is disclosed in Note 21.

<u>Loss given default (LGD)</u>

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

The Company uses portfolio averages from external estimates sourced out from Standard and Poor's (S&P) as the LGD estimates. The categorization of LGD estimates per financial asset measured at amortized cost is disclosed in Note 21.

<u>Estimating loss allowance for ECL</u>

The measurement of the ECL allowance for financial assets measured at amortized cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 21 Credit Risk – ECL measurement, which also sets out the key sensitivities of the ECL to changes in these elements.

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the number and relative weightings of forward-looking scenarios and the associated ECL.

As at December 31, 2023 and 2022, the Company's estimated allowance for credit losses for financial instruments measured at amortized cost amounted to P330,809 and P546,878, as disclosed in Notes 9 and 21.

<u>Deferred tax assets</u>

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 asset to be utilized. However, 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 the deferred tax asset as at December 31, 2023 and 2022, as disclosed in Note 19.

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

The Company carries its investments in traded debt securities at fair value, which requires the 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 December 31, 2023 and 2022, the carrying amounts of investments in debt securities classified as financial assets at FVTPL amounted to P5,113,090,393 and P3,806,687,176, respectively, as disclosed in Note 8.

6. CASH AND CASH EQUIVALENTS

This account consists of:

	2023	2022
Cash in banks	**P165,704,949**	P 60,133,809
Cash equivalents	**151,460,027**	270,454,289
	P317,164,976	P330,588,098

Cash in banks earned interest income amounting to P247,766, P446,685 and P325,651 in 2023, 2022 and 2021, respectively, at an average rate of 0.11%, 0.13% and 0.30%, respectively, as disclosed in Note 16.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Company classifies an investment as cash equivalent if that investment has a maturity of three months or less from the date of acquisition.

Cash equivalents earned interest income amounting to P26,529,944, P4,509,472 and nil in 2023, 2022 and 2021, respectively, at an average rate of 12.58%, 5.50% and nil, as disclosed in Note 16. Accrued interest receivable amounted to P55,535 and P99,166 as at December 31, 2023 and 2022, respectively, as disclosed in Note 7.

7. ACCRUED INTEREST RECEIVABLE

This account consists of accrued interest receivable on the following:

	Notes	**2023**	2022
Fixed-income securities	8	**P63,560,244**	P28,477,161
Corporate loans	9	**5,468,321**	3,097,789
Cash equivalents	6	**55,535**	99,166
		P69,084,100	P31,674,116

Collection of interest depends on the scheduled interest payments of each asset held.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of:

	2023	2022
Investments in fixed-income securities	**P5,113,090,393**	P3,806,687,176
Investments in UITF	**180,406,129**	5,540,142
	P5,293,496,522	P3,812,227,318

Investments in fixed income securities are composed of corporate bonds and treasury notes.

Investments in UITF are placed in universal banks and are redeemable anytime.

Interest income earned on fixed-income securities amounted to P239,842,723, P139,518,546 and P133,407,826 in 2023, 2022 and 2021, respectively, as disclosed in Note 16. Average rates earned on these investments are also disclosed in Note 16. Accrued interest receivable amounted to P63,560,244 and P28,477,161 as at December 31, 2023 and 2022, respectively, as disclosed in Note 7.

Net gains (losses) on investments recognized in profit or loss arising from financial assets at FVTPL are as follows:

	2023	2022	2021
Net unrealized gains (losses) on investments:			
Equity securities	**(P 80,247)**	(P 1,101,293)	P 1,220,565
Fixed-income securities	**120,702,808**	(102,641,381)	(67,059,350)
	P120,622,561	(P 103,742,674)	(P 65,838,785)
Net realized gains (losses) on investments:			
Equity securities	**P 663,331**	P 6,516,697	P 3,079,316
Fixed-income securities	**(29,322,958)**	(37,699,002)	(48,473,873)
	(28,659,627)	(31,182,305)	(45,394,557)
	P91,962,934	(P 134,924,979)	(P111,233,342)

The movements in the financial assets at FVTPL are summarized as follows:

	2023	2022	2021
Balance, January 1	**P 3,812,227,318**	P 4,154,707,410	P 4,623,982,331
Additions	**6,979,121,635**	10,214,479,400	9,632,027,216
Disposal	**(5,618,474,992)**	(10,453,216,818)	(10,035,463,352)
Unrealized losses	**120,622,561**	(103,742,674)	(65,838,785)
	P 5,293,496,522	P 3,812,227,318	P 4,154,707,410

The following presents the breakdown of the maturity profile of the principal amounts of fixed-income securities:

	2023	2022
Due in one year or less	**P 47,734,960**	P 159,515,000
Due after one year through five years	**3,109,082,420**	2,854,251,380
Due after five years through ten years	**1,149,330,200**	624,500,000
Due after ten years	**722,214,000**	266,260,960
	P5,028,361,580	P3,904,527,340

9. FINANCIAL ASSETS AT AMORTIZED COST - net

This account consists of:

	Note	**2023**	2022
Corporate loans:			
Current		**P 86,998,986**	P 30,919,709
Non-current		**163,134,000**	247,877,709
Less: Allowance for impairment	21	**(330,809)**	(546,878)
		P249,802,177	P278,250,540

The following are the principal amounts and unamortized premium (discount):

	2023	2022
Principal amounts	**P250,107,000**	P280,806,000
Unamortized premium (discount)	**25,986**	(2,008,582)
	P250,132,986	P278,797,418

The movements in the debt investments at amortized costs are summarized as follows:

	Note	**2023**	2022	2021
Balance, January 1		**P278,250,540**	P343,793,969	P567,903,669
Additions		**-**	45,000,000	-
Settlements		**(28,788,835)**	(111,529,276)	(227,747,208)
Amortization of discount (premium)		**124,402**	(122,793)	5,293,026
Reversal of (Provision for) estimated credit loss	21	**216,070**	1,108,640	(1,655,518)
		P249,802,177	P278,250,540	P343,793,969

Interest income earned from corporate loans amounted to P17,184,344, P19,238,345 and P24,526,077 in 2023, 2022 and 2021, respectively, as disclosed in Note 15. The average interest rates of corporate loans are also disclosed in Note 16. Accrued interest receivable amounted to P5,468,321 and P3,097,789 as at December 31, 2023 and 2022, respectively, as disclosed in Note 7.

The following presents the breakdown of maturity profile of the principal amounts of corporate loans:

	2023	2022
Due in one year or less	**P 86,973,000**	P 30,836,500
Due after one year through five years	**130,596,000**	215,256,500
Due after five years through ten years	**32,538,000**	32,538,000
	P250,107,000	P278,631,000

The Company holds loans receivables from Angat Hydropower Corporation, Vista Land and Lifescapes, Inc., SM Development Corp., Megawide Constructions Corp., and SL Agritech that carry interest at variable rates. The weighted average interest rate on these securities is 6.07%, 5.32% and 7.09% in 2023, 2022 and 2021, respectively.

The corporate loans have maturity dates ranging between two to ten years from the end of the reporting period. The counterparties have a minimum A credit rating. None of these assets had been past due or impaired at the end of the reporting period.

10. DUE FROM BROKERS

Due from brokers account refers to amounts receivable from brokers arising from the sale of investments processed on or before the reporting period, which are settled three days after the transaction date.

Due from brokers amounted to P2,349,000 and nil as at December 31, 2023 and 2022, respectively.

11. ACCRUED EXPENSES AND OTHER PAYABLES

This account consists of:

	2023	2022
Due to investors	**P2,911,477**	P2,300,134
Withholding and documentary stamp taxes	**600,944**	489,867
Professional fees	**414,366**	376,696
Custodianship fees	**37,610**	27,388
Others	**168,000**	-
	P4,132,397	P3,194,085

Due to investors account pertains to amounts payable to investors for the redemption of their investments processed on or before the reporting period, which are usually paid two days after the transaction date.

In line with the announcement of the Securities Clearing Corporation of the Philippines (SCCP) that stock market transaction settlement will change from three (3) clearing days settlement cycle to two (2) clearing days, the Company, effective September 11, 2023, changed the redemption and switch out settlement schedules from three (3) days to two (2) days after the transaction date.

12. RELATED PARTY TRANSACTIONS

In the normal course of business, the Company transacts with companies which are considered related parties under PAS 24, *Related Party Disclosures.*

The details of transactions with related parties and the amounts paid or payable are set out below. `

Nature of Transaction	Transactions During the Year			Outstanding Payable		Terms	Condition	Notes
	2023	2022	2021	**2023**	2022			
SLAMCI - Fund Manager								
Management distribution and transfer fees	**P67,663,813**	P56,808,573	P62,289,483	**P6,196,745**	P4,815,682	Non-interest bearing; Annual rate of 1.15% of average daily net assets; settled in cash on or before the 15th day of the following month	Unsecured; unguaranteed	a
Key Management Personnel								
Directors' fees	**260,026**	259,940	421,308	-	-	Payable on demand; Settled in cash	Unsecured: Unguaranteed	b
Entities Under Common Control								
Sun Life of Canada Philippines, Inc. Sale	**-**	-	15,093,790	**-**	**-**			

Details of the Company's related party transactions are as follows:

a. Investment Management

The Company appointed SLAMCI as its fund manager, adviser, administrator, distributor and transfer agent that provides management, distribution and all required operational services. Under the Management and Distribution Agreement (MDA), SLAMCI receives aggregate fees for these services at an annual rate of 1% (exclusive of VAT) of the net assets attributable to shareholders on each valuation day. Moreover, under the Transfer Agency Agreement, SLAMCI receives aggregate fees for these services at an annual rate of 0.15% (exclusive of VAT) of the net assets attributable to shareholders on each valuation day.

On July 13, 2022, the Board of Directors of the Company and SLAMCI jointly approved to continue its MDA and Transfer Agency Agreements based on the provisions of ICA 2018 IRR (Implementing Rules and Regulations of the Investment Company Act 2018) published by the SEC on January 11, 2018. The agreements shall remain to continue in effect from year to year as approved by the respective Board of Directors of the Company and SLAMCI.

Management, distribution and transfer fees charged by SLAMCI to the Company in 2023, 2022 and 2021 amounted to P67,663,813, P56,808,573 and P62,289,483, respectively. Accrued management fees as at December 31, 2023 and 2022 amounting to P6,196,745 and P4,815,682, respectively, are shown as "Payable to Fund Manager" in the statements of financial position.

b. Remuneration of Directors

Remuneration of directors presented in the statements of comprehensive income under "Directors' fees" account amounting to P260,026, P259,940 and P421,308 in 2023, 2022 and 2021, respectively, which are usually paid to directors based on the meetings held and attended. There were no accrued directors' fees as at December 31, 2023 and 2022.

Except for the Board of Directors, the Company has no key management personnel and employees. Pursuant to the Company's MDA with SLAMCI, the latter provides all the staff of the Company, including executive officers and other trained personnel.

c. Purchase and Sale of Investments

These types of transactions are buy and sell of the same security between portfolios of two separate affiliated legal entities of and whose assets are managed by Investments Department until July 25, 2021 and Sun Life Investment Management and Trust Corporation from July 26, 2021 onwards. Portfolio Managers determine that this is appropriate and in the best interest of certain portfolios and ensure that the trade will be executed in a manner that is fair and equitable to both parties involved in the cross trade.

13. EQUITY

Movements are as follows:

	2023		2022		2021	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Authorized:						
At P0.01 par value	**3,800,000,000**	**P 38,000,000**	3,800,000,000	P 38,000,000	3,800,000,000	P 38,000,000
Issued and fully paid:						
At December 31	**3,730,399,542**	**P 37,303,995**	3,730,399,542	P 37,303,995	3,730,399,542	P 37,303,995
Treasury shares:						
At January 1	**2,310,304,798**	**P6,867,414,922**	2,257,250,719	P6,557,301,520	2,084,665,383	P5,930,425,462
Acquisition	**302,223,230**	**973,931,955**	289,715,519	910,215,959	397,415,827	1,266,470,537
Reissuance	**(676,391,076)**	**(1,864,414,509)**	(236,661,440)	(600,102,557)	(224,830,491)	(639,594,479)
At December 31	**1,936,136,952**	**P5,976,932,368**	2,310,304,798	P6,867,414,922	2,257,250,719	P6,557,301,520

Fully paid ordinary shares with a par value of P 0.01 carry one vote per share and a right to dividends.

Incorporation

The Company was incorporated on January 19, 2000 with 200,000,000 authorized shares at an initial par value of P1.00 per share.

Approved changes

On December 4, 2000, the Board of Directors and the shareholders held a special meeting where all present unanimously voted to increase the Company's authorized share capital by 300,000,000 (from 200,000,000 shares to 500,000,000 shares both with par value of P1.00), which was approved by the SEC on March 30, 2001.

On May 21, 2001, approval was obtained from the shareholders for the blanket increase of the Company's authorized share capital for up to P2,500,000,000 divided into 2,500,000,000 shares with a par value of P1.00.

Also, on May 21, 2001, the Board of Directors voted to increase the Company's authorized share capital by 200,000,000 shares (from 500,000,000 shares to 700,000,000 shares both with par value of P1.00), which was approved by the SEC on July 27, 2001.

On October 10, 2001, the Board of Directors approved to increase the Company's authorized share capital by 200,000,000 shares (from 700,000,000 shares to 900,000,000 shares both with par value of P1.00), which was approved by the SEC on December 21, 2001.

On May 29, 2002, the Board of Directors voted to increase the Company's authorized share capital by 1,600,000,000 shares (from 900,000,000 shares to 2,500,000,000 shares both with par value of P1.00), which was approved by the SEC on July 5, 2002.

On January 7, 2004, the SEC approved the Company's request to increase its authorized share capital by 1,300,000,000 shares (from 2,500,000,000 shares to 3,800,000,000 shares both with par value of P1.00).

On February 17, 2006 and June 28, 2013, the Board of Directors and shareholders, respectively, approved the reduction of the par value per share from P1.00 to P0.01. The SEC approved the change in the par value on May 27, 2014. On October 24, 2014, the application to amend the Registration Statement to reflect the change in par value per share was filed with the SEC. Said application was approved by the SEC on April 20, 2015.

Current State

As at December 31, 2023, the Company has 1,794,262,590 issued and outstanding shares out of the 3,800,000,000 authorized shares with a par value of P0.01 per share.

The annual summary of the transactions of the Company's outstanding shares is as follows:

Year	NAVPS, end	Issuances	Redemptions	Balances
2012	P2.5450	1,014,522,266	(927,714,853)	2,065,761,726
2013	P2.6705	1,431,270,567	(1,071,818,764)	2,425,213,529
2014	P2.7009	309,126,719	(552,651,314)	2,181,688,934
2015	P2.7023	281,387,830	(613,194,678)	1,849,882,086
2016	P2.6879	282,737,429	(474,812,003)	1,657,807,512
2017	P2.7770	285,082,417	(380,868,005)	1,562,021,924
2018	P2.7658	195,221,766	(404,182,272)	1,353,061,418
2019	P3.0740	584,302,058	(367,853,987)	1,569,509,489
2020	P3.2060	439,210,159	(362,985,489)	1,645,734,159
2021	P3.1816	224,830,491	(397,415,827)	1,473,148,823
2022	P3.1457	236,661,440	(289,715,519)	1,420,094,744
2023	P3.3130	676,391,076	(302,223,230)	1,794,262,590

The total number of shareholders as at December 31, 2023, 2022 and 2021 are 18,119, 16,580 and 15,875, respectively.

Redeemable shares

Redeemable shares carry one vote each, and are subject to the following:

a. Distribution of dividends

   Each shareholder has a right to any dividends declared by the Company's Board of Directors and approved by 2/3 of its outstanding shareholders.

b. Denial of pre-emptive rights

No shareholder shall, because of his ownership of the shares, have a pre-emptive or other right to purchase, subscribe for, or take any part of shares or of any other securities convertible into or carrying options or warrants to purchase shares of the registrant.

c. Right of redemption

The holder of any share, upon its presentation to the Company or to any of its duly authorized representatives, is entitled to receive, by way of redemption, approximately his proportionate share of the Company's current net assets or the cash equivalent thereof. Shares are redeemable at any time at their net assets value less any applicable sales charges and taxes.

14. ADDITIONAL PAID-IN CAPITAL

Additional paid-in capital of P7,896,111,249, P7,565,084,021 and P7,420,374,329 as at December 31, 2023, 2022 and 2021, respectively, pertains to excess payments over par value from investors and from reissuance of treasury shares.

15. NET ASSET VALUE PER SHARE (NAVPS)

NAVPS is computed as follows:

	Note	2023	2022
Total equity		**P5,944,437,736**	P4,467,260,032
Outstanding shares	13	**1,794,262,590**	1,420,094,744
		P 3.3130	P 3.1457

NAVPS is based on issued, outstanding and fully paid shares minus treasury shares. The expected cash outflow on the redemption of these shares is equivalent to computed NAVPS as at reporting period.

16. INTEREST INCOME

This account consists of interest income on the following:

	Notes	2023	2022	2021
Fixed-income securities	8	**P239,842,723**	P139,518,546	P133,407,826
Corporate loans	9	**17,184,344**	19,238,345	24,526,077
Cash equivalents	6	**26,529,944**	4,509,472	-
Cash in banks	6	**247,766**	446,685	325,651
		P283,804,777	P163,713,048	P158,259,554

Interest income from fixed-income securities, corporate loans, cash equivalents, and cash in banks are recorded gross of final withholding tax which is shown as part of "Income tax expense" account in the statements of comprehensive income.

Average interest rates of investments in 2023, 2022 and 2021 are as follows:

	2023	2022	2021
Corporate loans	**6.07%**	5.32%	6.47%
Fixed-income securities	**5.94%**	4.54%	4.62%
Cash equivalents	**12.58%**	3.33%	-
Cash in banks	**0.11%**	0.13%	0.30%

Interest income earned on financial assets, analyzed by category, is as follows:

	Notes	**2023**	2022	2021
Fixed-income securities	8	**P239,842,723**	P139,518,546	P133,407,826
Corporate loans	9	**17,184,344**	19,238,345	24,526,077
Cash and cash equivalents	6	**26,777,710**	4,956,157	325,651
		P283,804,777	P163,713,048	P158,259,554

17. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the following data:

	2023	2022	2021
Total comprehensive income (loss) for the year	**P 255,667,922**	(P 54,271,502)	(P 39,522,211)
Weighted average number of issued and outstanding shares	**1,614,536,454**	1,428,384,118	1,542,077,577
Basic earnings (loss) per share	**P 0.158**	(P 0.038)	(P 0.026)

As at December 31, 2023, 2022 and 2021, the Company has no dilutive potential ordinary shares.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets and liabilities measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value classified under level 1 based on the degree to which the inputs to fair value are observable.

	Note	**Level 1**
December 31, 2023		
Investments in fixed-income securities	8	**P5,113,090,393**
Investment in UITF	8	**180,406,129**
		P5,293,496,522
December 31, 2022		
Investments in fixed-income securities	8	P3,806,687,176
Investment in UITF	8	5,540,142
		P3,812,227,318

The fair values of fixed-income securities classified as Level 1 are based on quoted prices of either done deals or bid rates.

Investments in mutual funds and in UITFs are valued at their published Net Assets Values Per Share (NAVPS) and Net Assets Values Per Unit (NAVPUs) as at reporting date, respectively.

No transfers in fair value hierarchy were made as at December 31, 2023 and 2022. Total unrealized gain or loss on investments relating to financial assets that are measured at fair value at the end of the reporting period are presented separately in the statements of comprehensive income and disclosed in Note 8.

Financial assets and liabilities not measured at fair value

The following financial assets and financial liabilities are not measured at fair values on recurring basis but the fair value disclosure is required:

	Notes	Carrying amount	Level 3
December 31, 2023			
Financial Assets			
Corporate loans	9	**249,802,177**	**239,449,735**
December 31, 2022			
Financial Assets			
Corporate loans	9	278,250,540	263,651,356

Cash and cash equivalents, accrued interest receivable, due from brokers, payable to fund manager and accrued expenses and other payables excluding withholding and documentary stamp taxes have short-term maturities, hence, their carrying amounts are considered their fair values.

The fair value of corporate loans was determined based on the discounted cash flow analysis using the Company's estimated cost of borrowing of 6.07% and 7.11% for 2023 and 2022, respectively.

19. INCOME TAXES

Details of income tax expense are as follows:

	2023	2022	2021
Final tax	**P49,552,137**	P24,595,617	P20,067,416
MCIT	**455,957**	330,047	445,471
Effects of change in tax rate	-	-	(281,382)
	P50,008,094	P24,925,664	P20,231,505

The reconciliation between tax expense and the product of accounting profit (loss) multiplied by 25% in 2023, 2022 and 2021 is as follows:

	2023	2022	2021
Accounting profit (loss) before tax	**P305,676,016**	(P29,345,838)	(P19,290,706)
Tax expense (benefit) at 25% in 2023, 2022 and 2021	**P76,419,004**	(P7,336,460)	(P4,822,676)
Adjustment for income subject to lower tax rate	**(12,388,034)**	(6,148,904)	(5,036,972)
Tax effects of:			
Net unrealized losses (gains) on investments	**(30,155,640)**	25,935,669	16,459,696
Net realized losses (gains) on investments	**7,164,907**	7,795,576	11,348,639
Unrecognized Net Operating Loss Carry-Over (NOLCO)	**8,565,918**	4,626,896	1,704,849
Unrecognized MCIT	**455,957**	330,047	445,471
Provision for (Reversal of) expected credit losses	**(54,018)**	(277,160)	413,880
Changes in current tax expense due to the change in income tax rate	-	-	(281,382)
	P 50,008,094	P24,925,664	P20,231,505

On March 26, 2021, the Republic Act (RA) 11534 also known as "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE" Act was passed into law which reduced the corporate income tax rates and rationalized the current fiscal incentives by making it time-bound, targeted and performance-based.

Among others, the Act includes the following significant revisions:

1. Effective July 1, 2020, domestic corporations with total assets not exceeding P100 million and net taxable income of P5 million and below shall be subject to 20% income tax rate while the other domestic corporations and resident foreign corporations will be subject to 25% tax income tax rate; and
2. Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% from July 1, 2020 to June 30, 2023.

Details of the Company's NOLCO from 2023 are as follows:

Year of Incurrence	Year of Expiry	Beginning Balance	Addition	Expired	**2023 Balance**
2022	2025	P18,507,584	-	-	**P18,507,584**
2023	2026	-	34,263,673	-	**34,263,673**
		P18,507,584	34,263,673	-	**52,771,257**

Details of the Company's NOLCO covered by Revenue Regulation (RR) No. 25-2020 is as follows:

Year of Incurrence	Year of Expiry	Beginning Balance	Addition	Expired	**2023 Balance**
2020	2025	P2,462,474	P -	P -	**P2,462,474**
2021	2026	6,819,397	-	-	**6,819,397**
		P9,281,871	P -	P -	**P9,281,871**

Pursuant to Section 4 COVID-19 Response and Recovery Interventions paragraph of Republic Act No. 11494 also known as "Bayanihan to Recover As One Act" and to RR No. 25-2020 of Bureau of Internal Revenue, the NOLCO incurred by the Company for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

Details of MCIT are as follows:

Year Incurred	Year of Expiry	Amount	Change in tax rate	Applied Current Year	Expired	Unapplied
2019	2022	P1,153,852	P -	P -	P1,153,852	P -
2020	2023	1,125,528	(281,382)	-	844,146	-
2021	2024	445,471	-	-	-	445,471
2022	2025	330,047	-	-	-	330,047
2023	2026	303,971	151,986	-	-	455,957
		P3,358,869	(P129,396)	P -	P1,997,998	P1,231,475

Deferred tax on NOLCO and MCIT was not recognized since Management believes that future taxable income will not be available against which the deferred tax asset can be utilized.

The Company's interest income from fixed-income securities, cash in banks, and cash equivalents are already subjected to final withholding tax and are therefore excluded from the computation of taxable income subject to RCIT and MCIT. Realized gains on redemption of investments in UITFs and mutual fund are exempted from tax and are therefore excluded from the computation of taxable income subject to RCIT.

20. CONTINGENCIES

The Company has no pending legal cases as at December 31, 2023 and 2022 that may have a material effect on the Company's financial position and results of operations.

21. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk, which includes interest rate and equity price risks; credit risk and liquidity risk. The Fund Manager exerts best efforts to anticipate events that would negatively affect the value of the Company's 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.

<u>Market risk</u>

The Company's activities expose it primarily to the financial risks of changes in interest rates and movements in NAVPS of investments in mutual fund and NAVPU of UITF. The Company has insignificant exposure to foreign exchange risk since foreign currency denominated transactions are minimal. There has been no change in the manner in which the Company manages and measures the risk.

Interest rate risk

Interest rate risk refers to the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest.

The primary source of the Company's interest rate risk relates to cash in banks, cash equivalents, corporate loans, and fixed-income securities. Interest rates of the financial assets are disclosed in Notes 6, 9, and 16.

The risk is managed by the Fund Manager by actively monitoring the prevailing interest rate environment. The duration of the portfolio is reduced during periods of rising rates and widening credit spreads to maximize interest income potential. Conversely, the same is increased during periods of falling rates and narrowing credit spreads.

A 50 basis points increase or decrease in the interest rates had been determined for sensitivity analysis based on the exposure to interest rates for financial assets at FVTPL and loan receivable at the end of each reporting period. The same is used for reporting interest rate risk internally to key management personnel and represents Management's assessment of the reasonable effect of the maximum possible movement in interest rates.

The following table details the increase or decrease in net income after tax if interest rates had been 50 basis points higher or lower and all other variables are held constant for the years ended 2023, 2022 and 2021:

	Increase (Decrease) in Net Profit/Equity		
Change in Interest rates	**2023**	2022	2021
+50 basis	**(P88,777,185)**	(P50,768,632)	(P49,768,642)
-50 basis	**P92,140,569**	P51,875,885	P50,879,611

In Management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

Equity price risk

The Company is exposed to equity price risks arising from investments in UITF.

The risk is managed by the Fund Manager by actively monitoring the movements in NAVPU of investments in UITF.

Based on the exposure to equity price risk at the end of each reporting period, if NAVPU of investments in MF and UITF had been 2% higher or lower, profit or loss would have increased or decreased by P3,561,650, P109,375, and P10,397,703 in 2023, 2022, and 2021, respectively.

Other than interest and equity price risks discussed above, there are no other market risks which significantly affect the Company's performance.

In Management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

Credit risk

Credit risk refers to the possibility that the counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of dealing only with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults and transacts only with entities that are rated with equivalent of investment grade of "High" down to "Low". This information is supplied by independent rating agencies, when available. If the information is not available, the Company uses other publicly available financial information and its own trading records to rate its major counter-parties. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The carrying amounts of financial assets recorded in the financial statements represent the Company's maximum exposure to credit risk:

	Notes	**2023**	2022
Cash in banks	6	**P 165,704,949**	P 60,133,809
Cash equivalents	6	**151,460,027**	270,454,289
Financial assets at FVTPL	8	**5,293,496,522**	3,812,227,318
Accrued interest receivable	7	**69,084,100**	31,674,116
Financial assets at amortized cost	9	**249,802,177**	278,250,540
		P5,929,547,775	P4,452,740,072

ECL measurement

In 2023 and 2022, ECLs are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

PFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition. The Company's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognizing ECL**
Stage 1	The counterparty has a low risk of default and does not have any past-due amounts or that the financial instrument is not credit-impaired on initial recognition	12months ECL
Stage 2	There has been a significant increase in credit risk since initial recognition but not yet deemed to be credit-impaired	Lifetime ECL - not credit-impaired
Stage 3	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery or that the financial instrument is credit-impaired	Lifetime ECL - credit-impaired

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is determined by projecting the PD, LGD and Exposure at Default (EAD) for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

Given that the Company currently has no history of default on their portfolio, a model which incorporates internal default experience is not feasible. For the 12M and Lifetime PD, the Company use external benchmarking of current internal credit ratings to S&P's using one-year transition matrices in S&P's Annual Global Corporate Default Study and Rating Transition reports. From the transition matrices, cumulative PDs are identified. The overall PD for a specific time horizon is calculated from the cumulative PD, by determining the marginal PD and taking the conditional PD given that it has not yet defaulted prior to the said time horizon. The resulting overall PDs are the values that will act as components in ECL calculation. The Lifetime PD is developed by analysis of the transition matrices over the maximum life of active loans, which is 12 years.

The table below summarizes the current internal credit rating equivalence system of the Company.

Summary rating	Internal credit rating	S&P rating
High	AAA	AAA
High	AA	AA- to AA+
High	A	A- to A+
High	BBB	BBB- to BBB+
Satisfactory	BB	BB- to B+
Acceptable	B	B- to B+
Low	CCC/C	CCC- to CCC+

The 12M and lifetime EADs are determined based on the contractual repayments owed by the borrower over the 12month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. The Company does not have an undrawn component for any of its debt instruments.

For the 12M and lifetime LGDs, considering the availability of related information, the Company use the external estimates sourced from S&P's. The table below summarizes the LGD value for each category of financial assets at amortized cost.

Category	LGD value
Loans	27.00%

Forward-looking information incorporated in the ECL models

The assessment of significant increase in credit rating and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio. The Company assessed that the key economic variables are unemployment rates for 2023 and 2022.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are based on the economic data from the International Monetary Fund (IMF) from year 2023 until 2028. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of EAD and LGD.

In addition to the base economic scenario, the best value economically spanning from the historical years is taken (upside forecasts). A similar approach applies for the downside forecasts. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The per-scenario Forward Looking Adjustments were assigned probability weights of 70% for the base scenario and 15% for each of the upside and downside forecast in 2023 and 2022.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The following table details the credit quality of the Company's financial assets and other items, as well as the Company's maximum credit exposure to credit risk by credit risk rating grades as at December 31, 2023 and 2022:

2023	Notes	Internal Credit rating	Category	12m or lifetime ECL?	Gross carrying amount	Loss allowance	Net carrying amount
2023							
Cash in banks	**6**	**AAA**	**Stage 1**	**12-month ECL**	**P165,704,949**	**P -**	**P165,704,949**
Cash equivalents	**6**	**AAA**	**Stage 1**	**12-month ECL**	**151,460,027**	**-**	**151,460,027**
Corporate loans	**9**	**A**	**Stage 1**	**12-month ECL**	**132,790,986**	**136,235**	**132,654,751**
Corporate loans	**9**	**AA,A**	**Stage 2**	**Lifetime ECL**	**117,342,000**	**194,574**	**117,147,426**
Accrued interest receivable	**7**	**AAA**	**Stage 1**	**12-month ECL**	**69,084,100**	**-**	**69,084,100**
					P636,382,062	**P330,809**	**P636,051,253**
2022							
Cash in banks	6	AAA	Stage 1	12-month ECL	P 60,133,809	P -	P 60,133,809
Cash equivalents	6	AAA	Stage 1	12-month ECL	270,454,289	-	270,454,289
Corporate loans	9	A	Stage 1	12-month ECL	30,919,709	185,298	30,734,411
Corporate loans	9	AA,A	Stage 2	Lifetime ECL	247,877,709	361,580	247,516,129
Accrued interest receivable	7	AAA	Stage 1	12-month ECL	31,674,116	-	31,674,116
					P641,059,632	P546,878	P640,512,754

The movements in the ECL recognized for the year are summarized as follows:

	Gross Carrying Amount			ECL		
	Stage 1	**Stage 2**	**Total**	**Stage 1**	**Stage 2**	**Total**
January 1, 2022	P142,506,487	P202,943,000	P345,449,487	P150,080	P1,505,438	P1,655,518
Additions	45,000,000	-	45,000,000	64,056	-	64,056
Disposals	(28,437,069)	(83,215,000)	(111,652,069)	(18,261)	(1,112,265)	(1,130,526)
Effect of changes in the model	-	-	-	(10,577)	(31,593)	(42,170)
December 31, 2022	P159,069,418	P119,728,000	P278,797,418	P185,298	P361,580	P546,878
Disposals	(26,278,432)	(2,386,000)	(28,664,432)	(49,063)	(167,006)	(216,069)
December 31, 2023	**P132,790,986**	**P117,342,000**	**P250,132,986**	**P136,235**	**P194,574**	**P330,809**

Liquidity risk

Liquidity risk arises when the Company encounters difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company aims to maintain an appropriate level of liquidity which means having sufficient liquidity to be able to meet all obligations promptly under foreseeable adverse circumstances, while not having excessive liquidity.

The Company maintains at least ten percent of the fund in liquid/semi-liquid assets in the form of cash in banks, cash equivalents, investment in UITF and mutual fund, accrued interest receivable, and other collective schemes wholly invested in liquid/semi-liquid assets to assure necessary liquidity. This is also in compliance to Section 6.10 of the Implementing Rules and Regulations of the Investment Company Act series of 2018.

The Fund Manager manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table had been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Less than One Month	One Month to One Year	Total
2023			
Accrued expenses and other payables	**P2,911,477**	**P451,976**	**P3,363,453**
Payable to fund manager	**6,196,745**	**-**	**6,196,745**
	P9,108,222	**P451,976**	**P9,560,198**
2022			
Accrued expenses and other payables	P2,300,134	P404,084	P2,704,218
Payable to fund manager	4,815,682	-	4,815,682
	P7,115,816	P404,084	P7,519,900

The difference between the carrying amount of accrued expenses disclosed in the statements of financial position and the amount disclosed in this note pertains to withholding and documentary stamp taxes that are not considered financial liabilities.

The following table details the Company's expected maturity for its financial assets. The table had been drawn up based on the contractual maturities of the financial assets including interest that will be earned on those assets, except when the Company anticipates that the cash flows will occur in a different period.

	Average Effective Interest Rate	Less than One Year	One Year to Five Years	Five Years to Ten Years	More than Ten Years	Total
2023						
Cash in banks	**0.11%**	**P165,704,949**	**P -**	**P -**	**P -**	**P165,704,949**
Cash equivalents	**12.58%**	**151,460,027**	**-**	**-**	**-**	**151,460,027**
Financial assets at FVTPL	**5.94%**	**50,692,774**	**3,117,819,149**	**1,153,424,784**	**724,360,782**	**5,046,297,489**
Accrued interest receivable		**69,084,100**	**-**	**-**	**-**	**69,084,100**
Corporate loans	**6.07%**	**101,584,664**	**140,982,315**	**32,538,000**	**-**	**275,104,979**
		P538,526,514	**P3,258,801,464**	**P1,185,962,784**	**P724,360,782**	**P5,707,651,544**
2022						
Cash in banks	0.13%	P 60,133,809	P -	P -	P -	P 60,133,809
Cash equivalents	3.33%	270,454,289	-	-	-	270,454,289
Financial assets at FVTPL	4.54%	332,989,258	3,331,089,342	724,007,163	298,773,190	4,686,858,953
Accrued interest receivable		31,674,116	-	-	-	31,674,116
Corporate loans	5.32%	40,923,247	234,292,773	45,936,000	-	321,152,020
		P736,174,719	P3,565,382,115	P769,943,163	P298,773,190	P5,370,273,187

The Company expects to meet its obligations from operating cash flows and proceeds from maturing financial assets and sale of financial assets at FVTPL.

22. CAPITAL RISK MANAGEMENT

The Fund Manager manages the Company's capital to ensure that the Company will be able to continue as a going concern while maximizing returns to stakeholders through the optimization of the mix of high-quality debt securities 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 as disclosed in Note 13.

The Fund Manager manages the Company's capital and NAVPS, as disclosed in Notes 13, 14, and 15 to ensure that the Company's net asset value remains competitive and appealing to prospective investors.

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

a. It does not issue senior securities;

b. 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;

c. It does not participate in any underwriting or selling group in connection with the public distribution of securities, except for its own share capital;

d. It generally maintains a diversified portfolio. Industry concentrations may vary at any time depending on the investment manager's view on the prospects;

e. It does not invest more than twenty percent (20%) of its net assets in real estate properties and developments, subject to investment restrictions and/or limitations under applicable law, if any;

f. It does not purchase or sell commodity futures contracts;

g. 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;

h. The asset mix in each type of security is determined from time to time, as warranted by economic and investment conditions;

i. Subscribers are required to settle their subscriptions in full upon submission of their application for subscriptions;

j. It may use various techniques to hedge investment risks; and

k. It does not change its investment objectives without the prior approval of a majority of its shareholders and prior notice to the SEC.

The Investment Policies refer to the following:

a. Investment Objective - to provide regular interest income and principal preservation through investments in government and high quality corporate debt securities.

b. Benchmark - the fund's performance is measured against 98% Bloomberg Sovereign Bond Index 1-5 Year, net of tax (adjusted by Sun Life) + 2% Philippine Peso TD Rate 1 Month to 3 Months, net of tax.

c. Asset Allocation Range - the Company allocates its funds available for investments among cash and other deposit substitutes and fixed-income securities 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 at an annual rate of 1.15% of the net assets attributable to shareholders on each valuation day.

In compliance with SEC Memorandum Circular No. 21, Series of 2019 signed on September 24, 2019 in relation to independent Net Asset Value (NAV) calculation, SLAMCI (Fund Manager) engaged Citibank, N.A. Philippines to service its fund accounting functions including calculation of its NAV every dealing day. In December 2020, SLAMCI implemented the outsourced fund accounting to all Sun Life Prosperity Funds.

As at December 31, 2023 and 2022, the Company is in compliance with the above requirements and minimum equity requirement of the SEC of P50,000,000.

The equity ratio at the year-end is as follows:

	2023	2022
Equity	**P5,944,437,736**	P4,467,260,032
Total assets	**5,954,766,878**	4,475,269,799
Equity ratio	**0.9983:1**	0.9982:1

Management believes that the above ratios are within the acceptable range.

23. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR) UNDER REVENUE REGULATIONS NO. 15-2010

The following information on taxes and license fees paid or accrued during the 2023 taxable year is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

Documentary stamp tax

Documentary stamp taxes incurred by the Company during 2023 amounted to P754,139 Prepresenting taxes in connection with the issuance of stock certificates by the Company to its shareholders. The documentary stamp tax being paid by the Company to the BIR includes those charged against the shareholders' investment for stock certificate issuances in excess of ten (10) inter-fund transfers per calendar year.

Other taxes and licenses

Details of other taxes and licenses and permit fees paid or accrued in 2023 are as follows:

Charged to Operating Expenses	
Permit fees	**P181,020**
Registration and filing fees	**33,075**
Residence or community tax	**1,500**
	P215,595

Withholding taxes

Withholding taxes paid and accrued and/or withheld consist of:

	Paid	Accrued	Total
Expanded withholding taxes	**P5,149,988**	**P532,143**	**P5,682,131**

Deficiency tax assessments

On 20 October 2023, the Company received the BIR's Final Decision on Disputed Assessment (FDDA) containing deficiency income tax, percentage tax and compromise penalty in the total amount of P8.4 million (inclusive of interest).

The Company paid the deficiency income tax amounting to P151,884 on 20 November 2023. For the deficiency percentage tax and compromise penalty, the Company submitted a Motion for Reconsideration (MR) to the Commissioner of Internal Revenue (CIR) on 20 November 2023 to refute these issues.

As of March 25, 2024, the MR is still for review under the BIR's Appellate Division.

24. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company were reviewed and endorsed by the Audit and Compliance Committee for the approval of the Board of Directors on March 25, 2024.

The Board of Directors approved the issuance of the financial statements on March 25, 2024.

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