



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Sterling Bank of Asia Inc. (A Savings Bank)
Sterling Bank Corporate Center
Greenhills, San Juan
Metro Manila

Opinion

We have audited the accompanying separate financial statements of the Sterling Money Market Fund operated by the Trust Group of Sterling Bank of Asia Inc. (A Savings Bank) (the Money Market Fund), which comprise the separate statements of financial position as at December 31, 2023 and 2022, and the separate statements of comprehensive income and separate statements of changes in accountabilities for the years then ended, and notes to separate financial statements, including a summary of material accounting policy information.

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

Basis for Opinion

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

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 of the separate financial statements that describes the basis of accounting. The separate financial statements are prepared in accordance with the RAP of the BSP, which differs from Philippine Financial Reporting Standards in some respects. The separate financial statements were prepared for filing with the BSP. Accordingly, the separate financial statements may not be suitable for any other purpose. Our opinion on the separate financial statements is not modified in respect of this matter.



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

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate 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 Trust Group'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 Money Market Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate 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 auditors' report. However, future events or conditions may cause the Money Market Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate 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.

REYES TACANDONG & Co.

BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

BOA Accreditation No. 4782/P-005; Valid until June 6, 2026

BIR Accreditation No. 08-005144-004-2022

Valid until October 16, 2025

PTR No. 10072407

Issued January 2, 2024, Makati City

April 23, 2024

Makati City, Metro Manila

STERLING BANK OF ASIA INC. (A Savings Bank)
STERLING MONEY MARKET FUND
OPERATED BY THE TRUST GROUP

SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2023	2022
ASSETS			
Deposits with banks	6	₱490,839	₱42,053,671
Investment securities	7	69,131,461	3,245,987
Interest receivable		29,263	17,288
		₱69,651,563	₱45,316,946
ACCOUNTABILITIES			
Principal		₱67,016,199	₱44,883,429
Accumulated income		2,575,068	394,099
Accrued trust fees		60,296	39,404
Accounts payable		–	14
		₱69,651,563	₱45,316,946

See accompanying Notes to Separate Financial Statements.

STERLING BANK OF ASIA INC. (A Savings Bank)
STERLING MONEY MARKET FUND
OPERATED BY THE TRUST GROUP

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	2023	2022
INTEREST INCOME ON:			
Investment securities	7	₱3,716,742	₱785,616
Deposits with banks	6	66,645	15,508
		3,783,387	801,124
NET TRADING GAINS (LOSSES)	7	13,605	(50,554)
EXPENSES			
Trust fees		602,735	245,151
Others		1,397	1,677
		604,132	246,828
INCOME BEFORE INCOME TAX		3,192,860	503,742
FINAL INCOME TAX EXPENSE	10	752,822	158,165
NET INCOME		2,440,038	345,577
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		₱2,440,038	₱345,577

See accompanying Notes to Separate Financial Statements.

STERLING BANK OF ASIA INC. (A Savings Bank)
STERLING MONEY MARKET FUND
OPERATED BY THE TRUST GROUP

SEPARATE STATEMENTS OF CHANGES IN ACCOUNTABILITIES

	Years Ended December 31	
	2023	2022
PRINCIPAL		
Balance at beginning of year	₱44,883,428	₱15,956,397
Contributions	35,608,774	46,979,429
Withdrawals	(13,476,003)	(18,052,397)
Balance at end of year	67,016,199	44,883,429
ACCUMULATED INCOME		
Balance at beginning of year	394,099	159,201
Net income	2,440,239	345,577
Withdrawals	(259,270)	(110,679)
Balance at end of year	2,575,068	394,099
ACCRUED TRUST FEES	60,296	39,404
ACCOUNTS PAYABLE	-	14
TOTAL ACCOUNTABILITIES	₱69,651,563	₱45,316,946

See accompanying Notes to Separate Financial Statements.

STERLING BANK OF ASIA INC. (A Savings Bank)
STERLING MONEY MARKET FUND
OPERATED BY THE TRUST GROUP

NOTES TO SEPARATE FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

1. General Information

Sterling Bank of Asia Inc. (A Savings Bank) (the Bank) was granted by the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP) the full license to engage in trust services, other fiduciary activities and investment management accounts on May 21, 2008. The trust operations of the Bank started on June 2, 2008 and are managed by the Trust Group.

On April 7, 2009, the Bank through its Trust Group, launched the Sterling Money Market Fund (the Money Market Fund).

The registered business address of the Trust Group is at Sterling Bank Corporate Center, Greenhills, San Juan, Metro Manila.

The accompanying separate financial statements as at and for the years ended December 31, 2023 and 2022 of the Money Market Fund operated by the Trust Group of the Bank were approved and authorized for issue by the Board of Directors (BOD) of the Bank on April 23, 2024.

2. Summary of Material Accounting Policy Information

The material accounting policies used in the preparation of the separate financial statements have been consistently applied to all the years presented, unless otherwise indicated.

Basis of Preparation and Statement of Compliance

The separate financial statements of the Money Market Fund have been prepared in compliance with the Regulatory Accounting Principles of the BSP, which differs from Philippines Financial Reporting Standards (PFRS) in some respects, as follows:

1. No presentation of statement of cash flows;
2. The amounts of allowance for credit losses on loans and receivables that trust institutions are required to recognize should be the higher between the allowance calculated under PFRS and BSP's recommended valuation reserves; and
3. Only a general description on risk management for financial instruments may be disclosed in the separate financial statements.

The accompanying separate financial statements of the Money Market Fund operated by the Trust Group are issued in compliance with the following BSP guidelines:

- a. BSP memorandum dated October 16, 1990, as amended;
- b. Revised Manual of Accounts (MOA) for Trust, Other Fiduciary Business and Investment Management Activities dated February 14, 2002;
- c. BSP Circular No. 494 dated September 20, 2005;
- d. BSP Circular No. 609 dated May 26, 2008; and
- e. BSP Circular No. 653 dated May 5, 2009.

Measurement Bases

The separate financial statements are presented in Philippine Peso, which is the functional currency of the Money Market Fund. All amounts represent absolute values, unless otherwise indicated.

The Money Market Fund presents its separate statement of financial position broadly in the order of liquidity. An analysis of the expected conversion into cash of the assets and liabilities of the Money Market Fund within 12 months (current) and more than 12 months (noncurrent) after the reporting date is presented in Note 8, *Classification of Assets and Other Accountabilities*.

The separate financial statements have been prepared on a historical cost basis, except for investment securities that are classified and measured at fair value through profit or loss (FVPL).

Historical cost is generally based on the fair value of the consideration given in exchange for an asset. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

The Trust Group uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Trust Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Information about the assumptions made in measuring fair values is included in Note 5, *Fair Value Measurement*.

Adoption of Amendment to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following relevant amendment to PFRS effective January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.
- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

The adoption of the amendments to PFRS did not materially affect the separate financial statements of the Money Market Fund. Additional disclosures were included in the notes to separate financial statements, as applicable.

Amendments to PFRS in Issue But Not Yet Effective

Relevant amendments to PFRS, which is not yet effective for the year ended December 31, 2023 and has not been applied in preparing the separate financial statements, is summarized below.

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

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

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* – The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is permitted.

Under prevailing circumstances, the adoption of the foregoing new and amendments to PFRS is not expected to have any material effect on the separate financial statements of the Money Market Fund. Additional disclosures will be included in the separate financial statements, as applicable.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of Recognition. The Trust Group recognizes a financial asset or liability in the separate statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL, includes transaction cost.

“Day 1” Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Trust Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data on inception, the Trust Group deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Trust Group determines the appropriate method of recognizing the “Day 1” difference.

Financial Assets

Classification. The Trust Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). The classification of a financial asset largely depends on its contractual cash flow characteristics and the Trust Group's business model for managing them.

As at reporting date, the Money Market Fund does not have financial assets measured at FVOCI.

Financial Assets at FVPL. Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss to the extent these are not part of a designated hedging relationship.

Government securities are classified under this category.

Financial Assets at Amortized Cost. Financial assets should be measured at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

Deposits with banks and interest receivable are classified under this category.

Reclassification. The Trust Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount.

There were no reclassifications of financial assets in 2023 and 2022.

Impairment. The Trust Group recognizes an allowance for expected credit loss (ECL) for all financial assets at amortized cost. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Money Market Fund expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate and adjusted for forward-looking estimates, as appropriate.

The Trust Group recognizes impairment loss based on either the 12-month or lifetime ECL. The 12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as "Stage 1 financial assets."

However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as "Stage 2 financial assets". When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Trust Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

At each reporting date, the Trust Group assesses whether financial assets carried at amortized cost are credit-impaired (referred to as "Stage 3 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 that a financial asset is credit-impaired is similar to the objective evidence of impairment or loss events referred to under PAS 39. ECL for credit-impaired financial assets is based on the difference between the gross carrying amount and present value of estimated future cash flows.

Financial assets are written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Money Market Fund determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

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

- the right to receive cash flows from the asset has expired;
- the Trust Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Trust Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Trust Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Trust Group’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Trust Group could be required to repay.

Financial Liabilities

Classification. The Trust Group classifies its financial liabilities at initial recognition under the following categories: (a) financial liabilities at amortized cost and (b) financial liabilities at FVPL.

As at reporting date, the Money Market Fund does not have financial liabilities at FVPL.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Trust Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

Accrued trust fees and accounts payable are classified under this category.

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

Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount reported in the separate statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the separate statement of financial position.

Net Asset Value per Unit

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

Principal

Principal is measured at the amount of consideration received from the unitholders, net of withdrawals of principal.

Accumulated Income

Accumulated income represents the cumulative balance of net income or loss, net of any withdrawal of income.

Income Recognition

Income is recognized to the extent that revenue can be reliably measured, it is probable that the economic benefits will flow to the Money Market Fund and the income can be measured reliably.

The following specific recognition criteria must also be met before income is recognized:

Interest Income. Interest income is recognized using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial assets (or when appropriate over a shorter period) to the net carrying amount of the financial asset. When calculating the effective interest rate, the Trust Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

When a financial asset becomes credit-impaired and is regarded as Stage 3, the Trust Group calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset, provided that there is a reasonable degree of certainty as to its collectability.

Trading Gains (Losses). Trading gains (losses) represent results arising from trading activities including gains and losses from changes in fair value and disposals of financial assets at FVPL.

Expense Recognition

Expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Costs and expenses are recognized upon receipt of goods, utilization of services or when the costs and expenses are incurred.

Trust Fees. Trust fees are recognized as incurred and are generally charged against the earnings of the Money Market Fund at a flat rate or a percentage of the fund being managed.

Others. Other expenses constitute costs which arise in the normal operations and are recognized when incurred.

Income Taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date. Taxes mainly represent final withholding tax of 20% on gross interest income accruing to the unitholders arising from peso-denominated deposit in banks and debt securities.

Provisions

Provisions are recognized when the Trust Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting year, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessment and the risks specific to the obligation. Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimate.

Contingencies

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

Events after the Reporting Year

Subsequent events that provide additional information about the Money Market Fund's financial position at the reporting year are reflected in the separate financial statements when material. Subsequent events that are non-adjusting events are disclosed in the notes to separate financial statements when material.

3. Significant Judgment, Accounting Estimate and Assumption

The preparation of separate financial statements requires the Trust Group, on behalf of the unitholders, to exercise judgment, make estimates and use assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgment

In the process of applying the Money Market Fund's accounting policies, the Trust Group, on behalf of the unitholders, has made the following judgment, apart from those involving estimation, which have the most significant effect on the amounts recognized in the separate financial statements.

Determining the Classification of Financial Instruments. Classification of financial assets depends on the results of the business model test and sole payment of principal and interest test performed by the Trust Group.

The Trust Group exercises judgment in determining the business model to be used in managing its financial instruments to achieve its business objectives. Below are the factors considered by the Trust Group in its business model assessment:

- Specific business objectives in holding the financial assets,
- Policies in managing the risks of the financial assets,
- Expected frequency, value and timing of sales, and
- Key performance indicators of the financial assets.

The Trust Group also determines whether the contractual terms of debt instruments classified and measured as financial assets at amortized cost give rise to specified dates to cash flows that are solely payments for principal and interest, with interest representing time value of money and credit risk associated with the outstanding principal amount.

Estimate and Assumption

The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below.

Estimating Impairment Losses on Financial Assets. Impairment losses on financial assets are based on ECL. In assessing the ECL, the Trust Group uses historical credit loss experience adjusted for forward-looking factors, as appropriate.

The Trust Group measures impairment loss based on the 12-month ECL for the interest receivable and other financial instruments on which credit risk has not increased significantly since initial recognition. Otherwise, impairment losses will be based on lifetime ECL.

In estimating impairment loss of financial assets at amortized cost, the Trust Group estimates the amounts and timing of future cash flows and collateral values and the assessment of a significant increase in credit risk.

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 carrying amounts of financial assets at amortized cost are as follows:

	Note	2023	2022
Deposits with banks	6	₱490,839	₱42,053,671
Interest receivable		29,263	17,288
		₱520,102	₱42,070,959

4. Financial Risk Management Objectives and Policies

The Money Market Fund's financial instruments comprise all of the assets, accrued trust fees and accounts payable. The main purpose of these financial instruments is to finance the Money Market Fund's operations.

The main risks arising from the Money Market Fund's financial instruments are credit risk, liquidity risk and market risk. The BOD reviews and approves policies for managing these risks as summarized below.

The Money Market Fund's exposure to foreign currency risk is minimal, as it does not enter into transactions in currencies other than its functional currency.

Credit Risk

Credit risk is the risk that the Money Market Fund will incur a loss because its counterparties fail to discharge their contractual obligations. The Trust Group, on behalf of the unitholders, trades only with recognized, creditworthy third parties. It is the Money Market Fund's policy that all customers who wish to trade on credit are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the Money Market Fund's exposure to bad debts is not significant. As at December 31, 2023 and 2022, there were no significant credit concentrations.

With respect to credit risk arising from the financial assets of the Money Market Fund, which are composed of deposits with banks and interest receivable, the Money Market Fund's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amounts of the instruments.

Credit risk is measured through the Outlet Exposure Report and Client Exposure per Outlet Report, the Credit Quality Report and Credit Analysis Report.

The credit risk function of the Trust Group and the Risk Officer, assigned or will be assigned to monitor the trust activities, includes the following: define, establish and communicate credit risk measurements and methodologies; provide analysis of risk entities and consolidate credit exposures, assist in identification, and measurement of credit risk in each market, and continuously re-evaluate the credit risk infrastructure to support the Trust Group in dynamic and volatile environments.

Management of Credit Risk. The BOD has delegated the responsibility for the management of credit risk to the Trust Group. The Trust Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring exposures in relation to such limits.

The Trust Group has created a Credit Policy manual which covers the policies and guidelines in granting credits/loans to prospective borrowers/clients of the Trust Group.

The Trust Group, on behalf of the unitholders, monitors exposure to credit risk by industry sector. The risk concentration is managed through regular review of compliance with the internal and regulatory limits.

The tables below show the distribution of financial assets by industry sector of the Money Market Fund, before taking into consideration any collateral and credit enhancements as at December 31:

2023				
	Deposits with Banks	Investment Securities	Interest Receivable	Total
Government	P-	P69,131,461	P29,263	P69,160,724
Financial institutions	490,839	-	-	490,839
	P490,839	P69,131,461	P29,263	P69,651,563

2022				
	Deposits with Banks	Investment Securities	Interest Receivable	Total
Government	P-	P3,245,987	P17,288	P3,263,275
Financial institutions	42,053,671	-	-	42,053,671
	P42,053,671	P3,245,987	P17,288	P45,316,946

The Money Market Fund operated by the Trust Group has no collateral or credit enhancements on its financial assets as at December 31, 2023 and 2022.

Credit Quality per Class of Financial Assets. The Trust Group has developed and continually reviews and calibrates its internal risk rating system for large exposures aimed at uniformly assessing its credit portfolio in terms of risk profile.

As at December 31, 2023 and 2022, all of the Market Money Fund's financial assets are considered as high grade. All the financial assets are classified as Stage 1 financial assets based on the requirements of PFRS 9.

The Money Market Fund operated by the Trust Group has no past due and specifically impaired accounts as at December 31, 2023 and 2022.

Liquidity Risk

Liquidity risk is the risk of not being able to meet funding obligations such as repayment of liabilities or payment of asset purchases. The Trust Group, on behalf of the unitholders, manages liquidity risk by holding sufficient liquid assets to ensure that short-term funding requirements are met.

Analysis of Financial Instruments by Remaining Contractual Maturities. The tables below show the maturity profile of the Money Market Fund operated by the Trust Group's financial instruments as at December 31, 2023 and 2022 based on the Trust Group's internal methodology that manages liquidity based on contractual undiscounted cash flows:

2023						
	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
Financial Assets						
Deposits with banks	P-	P490,839	P-	P-	P-	P490,839
Investment securities	-	-	-	69,131,461	-	69,131,461
Interest receivable	-	-	-	29,263	-	29,263
	P-	P490,839	P-	P69,160,724	P-	P69,651,563
Financial Liabilities						
Accrued trust fees	P60,296	P-	P-	P-	P-	P60,296

	2022					Total
	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	
Financial Assets						
Deposits with banks	₱41,568,878	₱484,793	₱-	₱-	₱-	₱42,053,671
Investment securities	-	-	-	3,245,987	-	3,245,987
Interest receivable	-	-	-	17,288	-	17,288
	₱41,568,878	₱484,793	₱-	₱3,263,275	₱-	₱45,316,946
Financial Liabilities						
Accrued trust fees	₱39,404	₱-	₱-	₱-	₱-	₱39,404
Accounts payable	14	-	-	-	-	14
	₱39,418	₱-	₱-	₱-	₱-	₱39,418

Market Risk

Market risk is the risk of loss to future earnings, fair values or future cash flows as a result of changes in interest rates, foreign exchange rates, commodity prices, equity prices and other market changes. The Money Market Fund's market risk originates from its holdings of debt securities.

Interest Rate Risk. Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rate.

The Trust Group, on behalf of its unitholders, regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Money Market Fund's net income. As at December 31, 2023 and 2022, the Money Market Fund is not exposed to cash flow interest rate risks since there are no financial assets and accountabilities with floating interest. However, the fair value of its fixed-rate debt securities as at December 31, 2023 and 2022 is exposed to changes in interest.

5. Fair Value Measurement

The fair values of investment securities which are classified as financial assets at FVPL, are based on quoted market prices (Level 1 of fair value hierarchy).

There were no transfers between fair value measurements in 2023 and 2022.

As at December 31, 2023 and 2022, the carrying amounts of the Money Market Fund's deposits with banks, interest receivable, accrued trust fees and accounts payable approximate their fair values due to the short-term nature of these financial instruments.

6. Deposits with Banks

This account consists of:

	2023	2022
Time deposit	₱490,839	₱484,793
Savings deposit	-	41,568,878
	₱490,839	₱42,053,671

Time deposits bear annual interest ranging from 3% to 4.2% and 2.38% to 3.50% in 2023 and 2022, respectively. Interest income earned from the deposits with banks amounted to ₱66,645 and ₱15,508 in 2023 and 2022, respectively.

7. Investment Securities

This account consists government securities amounting to ₱69.1 million and ₱3.2 million as at December 31, 2023 and 2022, respectively.

Investment securities bear annual interest ranging from 2.8% to 5.5% and 3.15% to 3.80% in 2023 and 2022, respectively.

In 2023, the Money Market Fund incurred net trading gains amounting to ₱13,605. Net trading losses amounted to ₱50,554 in 2022.

Interest income earned amounted to ₱3,716,742 and ₱785,616 in 2023 and 2022, respectively.

8. Classification of Assets and Other Accountabilities

As at December 31, 2023 and 2022, the Money Market Fund's assets, accrued trust fees and accounts payable are all considered as current because these are expected to be recovered or settled within one year.

9. Trust Operations

Under the BSP Circular No. 447, *Regulations Governing the Creation, Administration and Investment/s of Unit Investment Trust Funds*, a Unit Investment Trust Fund (UITF) is exempted from statutory and liquidity reserves.

10. Income Taxes

Taxes mainly represent final withholding taxes on income accruing to the trustors. Final tax expense amounted to ₱752,822 and ₱158,165 in 2023 and 2022, respectively.

11. NAV per Unit

The NAV per unit of the Money Market Fund is computed as follows:

	2023	2022
NAV	₱69,591,266	₱45,277,528
Outstanding units	54,779,503	37,030,746
NAV per unit	₱1.27	₱1.22

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Sterling Bank of Asia Inc. (A Savings Bank)
Sterling Bank Corporate Center
Greenhills, San Juan
Metro Manila

Opinion

We have audited the accompanying separate financial statements of the Sterling Multi-Asset Fund operated by the Trust Group of Sterling Bank of Asia Inc. (A Savings Bank) (the Multi-Asset Fund), which comprise the separate statements of financial position as at December 31, 2023 and 2022, and the separate statements of comprehensive income and separate statements of changes in accountabilities for the years then ended, and notes to separate financial statements, including a summary of material accounting policy information.

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

Basis for Opinion

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

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 of the separate financial statements that describes the basis of accounting. The separate financial statements are prepared in accordance with the RAP of the BSP, which differs from Philippine Financial Reporting Standards in some respects. The separate financial statements were prepared for filing with the BSP. Accordingly, the separate financial statements may not be suitable for any other purpose. Our opinion on the separate financial statements is not modified in respect of this matter.



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

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate 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 Trust Group'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 Multi-Asset Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate 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 auditors' report. However, future events or conditions may cause the Multi-Asset Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate 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.

REYES TACANDONG & Co.

BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

BOA Accreditation No. 4782/P-005; Valid until June 6, 2026

BIR Accreditation No. 08-005144-004-2022

Valid until October 16, 2025

PTR No. 10072407

Issued January 2, 2024, Makati City

April 23, 2024

Makati City, Metro Manila

STERLING BANK OF ASIA INC. (A Savings Bank)
STERLING MULTI-ASSET FUND
OPERATED BY THE TRUST GROUP

SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2023	2022
ASSETS			
Deposits with banks	6	₱289,893	₱115,092
Investment securities	7	1,737,557	1,868,448
Receivables	8	11,086	9,002
		₱2,038,536	₱1,992,542
ACCOUNTABILITIES			
Principal		₱1,774,430	₱1,789,430
Accumulated income		259,928	201,027
Other accountabilities	9	4,178	2,085
		₱2,038,536	₱1,992,542

See accompanying Notes to Separate Financial Statements.

STERLING BANK OF ASIA INC. (A Savings Bank)
STERLING MULTI-ASSET FUND
OPERATED BY THE TRUST GROUP

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31	
		2023	2022
INTEREST INCOME ON:			
Financial assets at fair value through profit or loss	7	₱29,628	₱20,248
Deposits with banks	6	12,678	2,636
		42,306	22,884
DIVIDEND INCOME	7	45,117	35,975
NET TRADING GAIN (LOSSES)	7	12,037	(44,785)
EXPENSES			
Trust fees		24,600	24,647
Others		47	128
		24,647	24,775
LOSS BEFORE INCOME TAX		74,813	(10,701)
FINAL INCOME TAX EXPENSE	12	12,052	8,390
NET INCOME (LOSS)		62,761	(19,091)
OTHER COMPREHENSIVE INCOME		–	–
TOTAL COMPREHENSIVE INCOME (LOSS)		₱62,761	(₱19,091)

See accompanying Notes to Separate Financial Statements.

STERLING BANK OF ASIA INC. (A Savings Bank)
STERLING MULTI-ASSET FUND
OPERATED BY THE TRUST GROUP

SEPARATE STATEMENTS OF CHANGES IN ACCOUNTABILITIES

	Years Ended December 31	
	2023	2022
PRINCIPAL		
Balance at beginning of year	₱1,789,430	₱1,778,430
Contributions	20,000	31,000
Withdrawals	(35,000)	(20,000)
Balance at end of year	1,774,430	1,789,430
ACCUMULATED INCOME		
Balance at beginning of year	201,027	224,672
Net loss	62,760	(19,091)
Withdrawals	(3,859)	(4,554)
Balance at end of year	259,928	201,027
OTHER ACCOUNTABILITIES	4,178	2,085
TOTAL ACCOUNTABILITIES	₱2,038,536	₱1,992,542

See accompanying Notes to Separate Financial Statements.

STERLING BANK OF ASIA INC. (A Savings Bank)

STERLING MULTI-ASSET FUND

OPERATED BY THE TRUST GROUP

NOTES TO SEPARATE FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

1. General Information

Sterling Bank of Asia Inc. (A Savings Bank) (the Bank) was granted by the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP) the full license to engage in trust services, other fiduciary activities and investment management accounts on May 21, 2008. The trust operations of the Bank started on June 2, 2008 and are managed by the Trust Group.

On May 20, 2013, the Bank through its Trust Group, launched the Sterling Multi-Asset Fund (the Multi-Asset Fund).

The registered business address of the Bank is at Sterling Bank Corporate Center, Greenhills, San Juan, Metro Manila.

The accompanying separate financial statements as at and for the years ended December 31, 2023 and 2022 of the Multi-Asset Fund operated by the Trust Group of the Bank were approved and authorized for issue by the Board of Directors (BOD) of the Bank on April 23, 2024.

2. Summary of Material Accounting Policy Information

The material accounting policies used in the preparation of the separate financial statements have been consistently applied to all the years presented, unless otherwise indicated.

Basis of Preparation and Statement of Compliance

The separate financial statements of the Balance Fund have been prepared in compliance with the Regulatory Accounting Principles of the BSP, which differs from Philippines Financial Reporting Standards (PFRS) in some respects, as follows:

1. No presentation of statement of cash flows;
2. The amounts of allowance for credit losses on loans and receivables that trust institutions are required to recognize should be the higher between the allowance calculated under PFRS and BSP's recommended valuation reserves; and
3. Only a general description on risk management for financial instruments may be disclosed in the separate financial statements.

The accompanying separate financial statements of the Multi-Asset Fund operated by the Trust Group are issued for the management's purpose only and in compliance with the following BSP guidelines:

- a. BSP memorandum dated October 16, 1990, as amended;
- b. Revised Manual of Accounts (MOA) for Trust, Other Fiduciary Business and Investment Management Activities dated February 14, 2002;
- c. BSP Circular No. 494 dated September 20, 2005;
- d. BSP Circular No. 609 dated May 26, 2008; and
- e. BSP Circular No. 653 dated May 5, 2009.

Measurement Bases

The separate financial statements are presented in Philippine Peso, which is the functional currency of the Multi-Asset Fund. All amounts represent absolute values, unless otherwise indicated.

The Multi-Asset Fund presents its separate statement of financial position broadly in the order of liquidity. An analysis of the expected conversion into cash of the assets and liabilities of the Multi-Asset Fund within 12 months (current) and more than 12 months (noncurrent) after the reporting date is presented in Note 10, *Classification of Assets and Other Accountabilities*.

The separate financial statements have been prepared on a historical cost basis, except for investment securities that are classified and measured at fair value through profit or loss (FVPL).

Historical cost is generally based on the fair value of the consideration given in exchange for an asset. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

The Trust Group uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Trust Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Information about the assumptions made in measuring fair values is included in Note 5, *Fair Value Measurement*.

Adoption of Amendment to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following relevant amendment to PFRS effective January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ to accounting policy information.
- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity’s right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

The adoption of the amendments to PFRS did not materially affect the separate financial statements of the Multi-Asset Fund. Additional disclosures were included in the notes to separate financial statements, as applicable.

Amendments to PFRS in Issue But Not Yet Effective or Adopted

Relevant amendments to PFRS, which is not yet effective as at December 31, 2023 and have not been applied in preparing the separate financial statements, are summarized below.

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

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

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* – The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is permitted.

Under prevailing circumstances, the adoption of the foregoing new and amendments to PFRS is not expected to have any material effect on the separate financial statements of the Multi-Asset Fund. Additional disclosures will be included in the separate financial statements, as applicable.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of Recognition. The Trust Group recognizes a financial asset or liability in the separate statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL, includes transaction cost.

“Day 1” Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Trust Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data on inception, the Trust Group deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the

inputs become observable or when the instrument is derecognized. For each transaction, the Trust Group determines the appropriate method of recognizing the “Day 1” difference.

Financial Assets

Classification. The Trust Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). The classification of a financial asset largely depends on its contractual cash flow characteristics and the Trust Group’s business model for managing them.

As at reporting date, the Multi-Asset Fund does not have financial assets measured at FVOCI.

Financial Assets at FVPL. Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss to the extent these are not part of a designated hedging relationship. Interest income (calculated using the effective interest rate method) is recognized directly in profit or loss.

Quoted equity securities, government securities and private bonds are classified under this category.

Financial Assets at Amortized Cost. Financial assets should be measured at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

Deposits with banks and receivables are classified under this category.

Reclassification. The Trust Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount.

There were no reclassifications of financial assets in 2023 and 2022.

Impairment. The Trust Group recognizes an allowance for expected credit loss (ECL) for all financial assets at amortized cost. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Multi-Asset Fund expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate and adjusted for forward-looking estimates, as appropriate.

The Trust Group recognizes impairment loss based on either the 12-month or lifetime ECL. The 12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as "Stage 1 financial assets."

However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as "Stage 2 financial assets". When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Trust Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

At each reporting date, the Trust Group assesses whether financial assets carried at amortized cost are credit-impaired (referred to as "Stage 3 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 that a financial asset is credit-impaired is similar to the objective evidence of impairment or loss events referred to under PAS 39. ECL for credit-impaired financial assets is based on the difference between the gross carrying amount and present value of estimated future cash flows.

Financial assets are written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Multi-Asset Fund determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

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

- the right to receive cash flows from the asset has expired;
- the Trust Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Trust Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Trust Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Trust Group’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Trust Group could be required to repay.

Financial Liabilities

Classification. The Trust Group classifies its financial liabilities at initial recognition under the following categories: (a) financial liabilities at amortized cost and (b) financial liabilities at FVPL.

As at reporting date, the Multi-Asset Fund does not have financial liabilities at FVPL.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Trust Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

Other accountabilities are classified under this category.

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

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the separate statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the separate statement of financial position.

Net Asset Value per Unit

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

Principal

Principal is measured at the amount of consideration received from the unitholders, net of withdrawals of principal.

Accumulated Income

Accumulated income represents the cumulative balance of net income or loss, net of any withdrawal of income.

Income Recognition

Income is recognized to the extent that revenue can be reliably measured, it is probable that the economic benefits will flow to the Multi-Asset Fund and the income can be measured reliably.

The following specific recognition criteria must also be met before income is recognized:

Interest Income. Interest income is recognized using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial assets (or when appropriate over a shorter period) to the net carrying amount of the financial asset. When calculating the effective interest rate, the Trust Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

When a financial asset becomes credit-impaired and is regarded as Stage 3, the Trust Group calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset, provided that there is a reasonable degree of certainty as to its collectability.

Dividend Income. Dividends are recognized when the right to receive payments has been established.

Trading Losses. Trading gains (losses) represent results arising from trading activities including gains and losses from changes in fair value and disposals of financial assets at FVPL.

Expense Recognition

Expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Costs and expenses are recognized upon receipt of goods, utilization of services or when the costs and expenses are incurred.

Trust Fees. Trust fees are recognized as incurred and are generally charged against the earnings of the Multi-Asset Fund at a flat rate or a percentage of the fund being managed.

Others. Other expenses constitute costs which arise in the normal operations and are recognized when incurred.

Income Taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date. Taxes mainly represent final withholding tax of 20% on gross interest income accruing to the unitholders arising from peso-denominated deposit in banks and debt securities.

Provisions

Provisions are recognized when the Trust Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting year, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessment and the risks specific to the obligation. Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimate.

Contingencies

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

Events after the Reporting Year

Subsequent events that provide additional information about the Multi-Asset Fund's financial position at the reporting year are reflected in the separate financial statements when material. Subsequent events that are non-adjusting events are disclosed in the notes to separate financial statements when material.

3. Significant Accounting Judgment, Estimate and Assumption

The preparation of separate financial statements requires the Trust Group, on behalf of the unitholders, to exercise judgment, make estimate and use assumption that affect the application of policies and reported amounts of assets and accountabilities, income and expenses. The estimate and associated assumption are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgment about carrying amounts of assets and accountabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgment

In the process of applying the Multi-Asset Fund's accounting policies, the Trust Group, on behalf of the unitholders, has made the following judgment, apart from those involving estimation, which have the most significant effect on the amounts recognized in the separate financial statements:

Determining the Classification of Financial Instruments. Classification of financial assets depends on the results of the business model test and sole payment of principal and interest test performed by the Trust Group.

The Trust Group exercises judgment in determining the business model to be used in managing its financial instruments to achieve its business objectives. Below are the factors considered by the Trust Group in its business model assessment:

- Specific business objectives in holding the financial assets;
- Policies in managing the risks of the financial assets;
- Expected frequency, value and timing of sales; and
- Key performance indicators of the financial assets.

The Trust Group also determines whether the contractual terms of debt instruments classified and measured as financial assets at amortized cost give rise to specified dates to cash flows that are solely payments for principal and interest, with interest representing time value of money and credit risk associated with the outstanding principal amount.

Estimate and Assumption

The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below.

Estimating Credit and Impairment Losses on Financial Assets. Credit and impairment losses on financial assets are based on ECL. In assessing the ECL, the Trust Group uses historical credit loss experience adjusted for forward-looking factors, as appropriate.

The Trust Group measures impairment loss based on the 12-month ECL for the receivables and other financial instruments on which credit risk has not increased significantly since initial recognition. Otherwise, impairment losses will be based on lifetime ECL.

In estimating impairment loss of financial assets at amortized cost, the Trust Group estimates the amounts and timing of future cash flows and collateral values and the assessment of a significant increase in credit risk.

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.

No provision for impairment losses on financial assets at amortized cost were recognized in 2023 and 2022. The carrying amounts of financial assets at amortized cost are disclosed in Notes 6 and 8.

4. Risk Management Objectives and Policies

The Multi-Asset Fund's financial instruments comprise all of the assets of the Multi-Asset Fund and other accountabilities. These financial instruments are used for the Multi-Asset Fund's operations.

The main risks arising from the Multi-Asset Fund's financial instruments are credit risk, liquidity risk and market risk. The BOD reviews and approves policies for managing these risks as summarized below.

Credit Risk

Credit risk is the risk that the Multi-Asset Fund will incur a loss because its counterparties fail to discharge their contractual obligations. The Trust Group, on behalf of the unitholders, trades only with recognized, creditworthy third parties. It is the Multi-Asset Fund's policy that all customers who wish to trade on credit are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the Multi-Asset Fund's exposure to bad debts is not significant. As at December 31, 2023 and 2022, there were no significant credit concentrations.

With respect to credit risk arising from the financial assets of the Multi-Asset Fund, which are composed of deposits with banks and receivables, the Multi-Asset Fund's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amounts of the instruments.

Credit risk is measured through the Outlet Exposure Report and Client Exposure per Outlet Report, the Credit Quality Report and Credit Analysis Report.

The credit risk function of the Trust Group and the Risk Officer, assigned or will be assigned to monitor the trust activities, includes the following: define, establish and communicate credit risk measurements and methodologies; provide analysis of risk entities and consolidate credit exposures, assist in identification, and measurement of credit risk in each market, and continuously re-evaluate the credit risk infrastructure to support the Trust Group in dynamic and volatile environments.

Management of Credit Risk. The BOD has delegated the responsibility for the management of credit risk to the Trust Group. The Trust Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring exposures in relation to such limits.

The Trust Group has created a Credit Policy manual which covers the policies and guidelines in granting credits or loans to prospective borrowers or clients of the Trust Group.

The Trust Group, on behalf of the trustors, monitors exposure to credit risk by industry sector. The risk concentration is managed through regular review of compliance with the internal and regulatory limits.

The tables below present the distribution of financial assets by industry sector of the Multi-Asset Fund, before taking into consideration any collateral and credit enhancements as at December 31:

2023			
	Deposits with Banks	Receivables	Total
Financial institutions	₱289,893	₱–	₱289,893
Private corporations	–	8,339	8,339
Government	–	2,747	2,747
	₱289,893	₱11,086	₱300,979

2022			
	Deposits with Banks	Receivables	Total
Financial institutions	₱115,092	₱–	₱115,092
Private corporations	–	6,664	6,664
Government	–	2,338	2,338
	₱115,092	₱9,002	₱124,094

The Multi-Asset Fund operated by the Trust Group has no collateral or credit enhancements on its financial assets as at December 31, 2023 and 2022.

Credit Quality per Class of Financial Assets. The Trust Group has developed and continually reviews and calibrates its internal risk rating system for large exposures aimed at uniformly assessing its credit portfolio in terms of risk profile.

As at December 31, 2023 and 2022, all of the Multi-Asset Fund's financial assets are considered as standard grade, except for deposits with banks and government securities, which are considered as high grade. All the financial assets are classified as Stage 1 financial assets based on the requirements of PFRS 9.

The Multi-Asset Fund operated by the Trust Group has no past due and specifically impaired accounts as at December 31, 2023 and 2022.

Liquidity Risk

Liquidity risk is the risk of not being able to meet funding obligations such as repayment of liabilities or payment of asset purchases. The Trust Group, on behalf of the trustors, manages liquidity risk by holding sufficient liquid assets to ensure that short-term funding requirements are met.

Analysis of Financial Instruments by Remaining Contractual Maturities. The tables below show the maturity profile of the Multi-Asset Fund operated by the Trust Group's financial instruments as at December 31, 2023 and 2022 based on the Trust Group's internal methodology that manages liquidity based on contractual undiscounted cash flows:

	2023					Total
	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	
Financial Assets						
Deposits with banks	₱289,893	₱-	₱-	₱-	₱-	₱289,893
Financial assets at FVPL	200,000	502,321	-	1,035,235	-	1,737,556
Receivables:						
Dividends	-	-	-	7,452	-	7,452
Accrued interest	-	2,747	-	-	-	2,747
Others	-	888	-	-	-	888
	₱489,893	₱505,956	₱-	₱1,042,687	₱-	₱2,038,536
Financial Liabilities						
Accrued trust fees	₱4,173	-	-	-	-	₱4,173
Custodian fee payable	5	-	-	-	-	5
	₱4,178	-	-	-	-	₱4,178
	2022					
	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
Financial Assets						
Deposits with banks	₱115,092	₱-	₱-	₱-	₱-	₱115,092
Financial assets at FVPL	200,000	644,113	-	1,024,335	-	1,868,448
Receivables:						
Dividends	-	-	-	5,962	-	5,962
Accrued interest	-	2,338	-	-	-	2,338
Others	-	702	-	-	-	702
	₱315,092	₱647,153	₱-	₱1,030,297	₱-	₱1,992,542
Financial Liabilities						
Accrued trust fees	₱2,080	₱-	₱-	₱-	₱-	₱2,080
Custodian fee payable	5	-	-	-	-	5
	₱2,085	₱-	₱-	₱-	₱-	₱2,085

Market Risk

Market risk is the risk of loss to future earnings, fair values or future cash flows as a result of changes in interest rates, foreign exchange rates, commodity prices, equity prices and other market changes. The Multi-Asset Fund's market risk originates from its holdings of debt securities and quoted equity securities.

Interest Rate Risk. Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rate.

The Trust Group, on behalf of the unitholders, regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. As at December 31, 2023 and 2022, the Multi-Asset Fund is not exposed to cash flows interest rate risks since there are no financial assets and accountabilities with floating interest. However, the fair value of its fixed-rate debt securities as at December 31, 2023 and 2022 is exposed to changes in interest. Nevertheless, since the amount of such investments is not significant as at December 31, 2023 and 2022, the interest rate exposure is deemed minimal.

Price Risk. Price risk is the risk that the fair value of the financial instruments particularly equity securities will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

To manage exposure to losses due to downside volatility of equity prices, allocations to equities are subject to a limit. Moreover, the performance are measured and monitored regularly using risk-adjusted return measures.

5. Fair Value Measurement

The fair values of investment securities which are classified as financial assets at FVPL, are based on quoted market prices (Level 1 of fair value hierarchy). For quoted equity securities these are valued based on their published closing prices at the Philippine Stock Exchange. On the other hand, the fair values of government securities and private bonds are determined based on the prices of relative benchmark securities which are quoted at the Philippine Dealing and Exchange or Bloomberg.

There were no transfers between fair value measurements in 2023 and 2022.

As at December 31, 2023 and 2022, the carrying amounts of the Multi-Asset Fund's deposits with banks, receivables and other accountabilities approximate their fair values due to the short-term nature of these financial instruments.

6. Deposits with Banks

Deposits with banks consist of time and saving deposits aggregating ₱289,893 and ₱115,092 as at December 31, 2023 and 2022, respectively.

Time deposits bear annual interest ranging from 3.4% to 4% and 2.38% to 3.50% in 2023 and 2022. Interest income earned from deposits with banks amounted to ₱12,678 and ₱2,636 in 2023 and 2022, respectively.

7. Investment Securities

This account consists of:

	2023	2022
Quoted equity securities	₱1,033,997	₱1,024,335
Debt securities:		
Government securities	503,560	644,113
Private bonds	200,000	200,000
	₱1,737,557	₱1,868,448

The Multi-Asset Fund incurred net trading losses in 2023 and 2022 amounting to ₱12,037 and ₱44,875, respectively.

Debt securities bear annual interest ranging from 3.86% to 5.35% and 4.25% to 5.35% in 2023 and 2022. Interest income amounted to ₱29,628 and ₱20,248 in 2023 and 2022, respectively.

Dividend income from quoted equity securities amount to ₱45,117 and ₱35,975 in 2023 and 2022, respectively.

8. Receivables

This account consists of:

	2023	2022
Dividend	₱7,452	₱5,962
Accrued interest	2,747	2,338
Others	887	702
	₱11,086	₱9,002

9. Other Accountabilities

This account consists of:

	2023	2022
Accrued trust fees	₱4,713	₱2,080
Custodian fee payable	5	5
	₱4,718	₱2,085

10. Classification of Assets and Other Accountabilities

As at December 31, 2023 and 2022, the Multi-Asset Fund's assets and other accountabilities are all considered as current because these are expected to be recovered or settled within one year.

11. Trust Operations

Under the BSP Circular No. 447, *Regulations Governing the Creation, Administration and Investment/s of Unit Investment Trust Funds*, a Unit of Investment Trust Funds (UITF) is exempted from statutory and liquidity reserves.

12. Taxes

Taxes mainly represent final withholding taxes on income accruing to the trustors. Final tax expense amounted to ₱12,052 and ₱8,390 in 2023 and 2022, respectively.

13. NAV per Unit

The NAV per unit of the Multi-Asset Fund is computed as follows:

	2023	2022
NAV	₱2,034,357	₱1,990,457
Outstanding units	17,493	17,654
NAV per unit	₱116.29	₱112.75

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Sterling Bank of Asia Inc. (A Savings Bank)
Sterling Bank Corporate Center
Greenhills, San Juan
Metro Manila

Opinion

We have audited the accompanying separate financial statements of the Sterling PhilEquity Feeder Fund operated by the Trust Group of Sterling Bank of Asia Inc. (A Savings Bank) (the PhilEquity Feeder Fund), which comprise the separate statements of financial position as at December 31, 2023 and 2022, and the separate statements of comprehensive income and separate statements of changes in accountabilities for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 of the separate financial statements that describes the basis of accounting. The separate financial statements are prepared in accordance with the RAP of the BSP, which differs from Philippine Financial Reporting Standards in some respects. The separate financial statements were prepared for filing with the BSP. Accordingly, the separate financial statements may not be suitable for any other purpose. Our opinion on the separate financial statements is not modified in respect of this matter.



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

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate 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 Trust Group'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 PhilEquity Feeder Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate 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 auditors' report. However, future events or conditions may cause the PhilEquity Feeder Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate 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.

REYES TACANDONG & Co.

BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

BOA Accreditation No. 4782/P-005; Valid until June 6, 2026

BIR Accreditation No. 08-005144-004-2022

Valid until October 16, 2025

PTR No. 10072407

Issued January 2, 2024, Makati City

April 23, 2024

Makati City, Metro Manila

STERLING BANK OF ASIA INC. (A Savings Bank)
STERLING PHILEQUITY FEEDER FUND
OPERATED BY THE TRUST GROUP

SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2023	2022
ASSETS			
Deposits with the Bank	6	₱9	₱8,117
Investment securities	7	18,071,458	17,341,233
		₱18,071,467	₱17,349,350
ACCOUNTABILITIES			
Principal		₱19,252,822	₱18,610,730
Accumulated losses		(1,196,948)	(1,316,610)
Other accountabilities	8	15,593	55,230
		₱18,071,467	₱17,349,350

See accompanying Notes to Separate Financial Statements.

STERLING BANK OF ASIA INC. (A Savings Bank)
STERLING PHILEQUITY FEEDER FUND
OPERATED BY THE TRUST GROUP

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31	
		2023	2022
INTEREST INCOME ON DEPOSITS WITH THE BANK	6	₱12	₱148
NET TRADING GAINS (LOSSES)	7	189,356	(1,155,507)
TRUST FEES		(173,910)	(168,789)
NET INCOME (LOSS)		15,458	(1,324,148)
OTHER COMPREHENSIVE INCOME		107	–
TOTAL COMPREHENSIVE INCOME (LOSS)		₱15,565	(₱1,324,148)

See accompanying Notes to Separate Financial Statements.

STERLING BANK OF ASIA INC. (A Savings Bank)
STERLING PHILEQUITY FEEDER FUND
OPERATED BY THE TRUST GROUP

SEPARATE STATEMENTS OF CHANGES IN ACCOUNTABILITIES

	Note	Years Ended December 31	
		2023	2022
PRINCIPAL			
Balance at beginning of year		₱18,610,730	₱16,656,608
Contributions		3,051,592	5,959,343
Withdrawals		(2,409,500)	(4,005,221)
Balance at end of year		₱19,252,822	18,610,730
ACCUMULATED LOSSES			
Balance at beginning of year		(1,316,610)	(111,083)
Net income (loss)		15,564	(1,324,148)
Withdrawals		104,098	118,621
Balance at end of year		(1,196,948)	(1,316,610)
OTHER ACCOUNTABILITIES	8	15,593	55,230
TOTAL ACCOUNTABILITIES		₱18,071,467	₱17,349,350

See accompanying Notes to Separate Financial Statements.

STERLING BANK OF ASIA INC. (A Savings Bank)

STERLING PHILEQUITY FEEDER FUND

OPERATED BY THE TRUST GROUP

NOTES TO SEPARATE FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

1. General Information

Sterling Bank of Asia Inc. (A Savings Bank) (the Bank) was granted by the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP) the full license to engage in trust services, other fiduciary activities and investment management accounts on May 21, 2008. The trust operations of the Bank started on June 2, 2008 and are managed by the Trust Group.

On June 11, 2019, the Bank through its Trust Group, launched the Sterling PhilEquity Feeder Fund (the PhilEquity Feeder Fund).

The registered business address of the Bank is at Sterling Bank Corporate Center, Greenhills, San Juan, Metro Manila.

The accompanying separate financial statements as at and for the years ended December 31, 2023 and 2022 of the PhilEquity Feeder Fund operated by the Trust Group of the Bank were approved and authorized for issue by the Board of Directors (BOD) of the Bank on April 23, 2024.

2. Summary of Material Accounting Policy Information

The material accounting policies used in the preparation of the separate financial statements have been consistently applied to all the years presented, unless otherwise indicated.

Basis of Preparation and Statement of Compliance

The separate financial statements of the PhilEquity Feeder Fund have been prepared in compliance with the Regulatory Accounting Principles of the BSP, which differs from Philippines Financial Reporting Standards (PFRS) in some respects, as follows:

1. No presentation of statement of cash flows;
2. The amounts of allowance for credit losses on loans and receivables that trust institutions are required to recognize should be the higher between the allowance calculated under PFRS and BSP's recommended valuation reserves; and
3. Only a general description on risk management for financial instruments may be disclosed in the separate financial statements.

The accompanying separate financial statements of the PhilEquity Feeder Fund operated by the Trust Group are issued for the management's purpose only and in compliance with the following BSP guidelines:

- a. BSP memorandum dated October 16, 1990, as amended;
- b. Revised Manual of Accounts (MOA) for Trust, Other Fiduciary Business and Investment Management Activities dated February 14, 2002;
- c. BSP Circular No. 494 dated September 20, 2005;
- d. BSP Circular No. 609 dated May 26, 2008; and
- e. BSP Circular No. 653 dated May 5, 2009.

Measurement Bases

The separate financial statements are presented in Philippine Peso, which is the functional currency of the PhilEquity Feeder Fund. All amounts represent absolute values, unless otherwise indicated.

The PhilEquity Feeder Fund presents its separate statement of financial position broadly in the order of liquidity. An analysis of the expected conversion into cash of the assets and liabilities of the PhilEquity Feeder Fund within 12 months (current) and more than 12 months (noncurrent) after the reporting date is presented in Note 9, *Classification of Assets and Other Accountabilities*.

The separate financial statements have been prepared on a historical cost basis, except for investment securities that are classified and measured at fair value through profit or loss (FVPL).

Historical cost is generally based on the fair value of the consideration given in exchange for an asset. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

The Trust Group uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Trust Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Information about the assumptions made in measuring fair values is included in Note 5, *Fair Value Measurement*.

Adoption of Amendment to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following relevant amendment to PFRS:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.
- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

The adoption of the amendments to PFRS did not materially affect the separate financial statements of the PhilEquity Feeder Fund. Additional disclosures were included in the notes to separate financial statements, as applicable.

Amendments to PFRS in Issue But Not Yet Effective or Adopted

Amendments to PFRS, which is not yet effective as at December 31, 2023 and have not been applied in preparing the separate financial statements, are summarized below.

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

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

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* – The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is permitted.

Under prevailing circumstances, the adoption of the foregoing new and amendments to PFRS is not expected to have any material effect on the separate financial statements of the PhilEquity Feeder Fund. Additional disclosures will be included in the separate financial statements, as applicable.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of Recognition. The Trust Group recognizes a financial asset or liability in the separate statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL, includes transaction cost.

“Day 1” Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Trust Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data on inception, the Trust Group deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Trust Group determines the appropriate method of recognizing the “Day 1” difference.

Financial Assets

Classification. The Trust Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). The classification of a financial asset largely depends on its contractual cash flow characteristics and the Trust Group’s business model for managing them.

As at reporting date, the PhilEquity Feeder Fund does not have financial assets measured at FVOCI.

Financial Assets at FVPL. Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss to the extent these are not part of a designated hedging relationship.

Investments in Unit Investment Trust Fund (UITF) are classified under this category.

Financial Assets at Amortized Cost. Financial assets should be measured at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective

interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

Deposits with the Bank are classified under this category.

Reclassification. The Trust Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount.

There were no reclassifications of financial assets in 2023 and 2022.

Impairment. The Trust Group recognizes an allowance for expected credit loss (ECL) for all financial assets at amortized cost. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the PhilEquity Feeder Fund expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate and adjusted for forward-looking estimates, as appropriate.

The Trust Group recognizes impairment loss based on either the 12-month or lifetime ECL. The 12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as "Stage 1 financial assets."

However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as "Stage 2 financial assets". When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Trust Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

At each reporting date, the Trust Group assesses whether financial assets carried at amortized cost are credit-impaired (referred to as “Stage 3 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 that a financial asset is credit-impaired is similar to the objective evidence of impairment or loss events referred to under PAS 39. ECL for credit-impaired financial assets is based on the difference between the gross carrying amount and present value of estimated future cash flows.

Financial assets are written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the PhilEquity Feeder Fund determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

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

- the right to receive cash flows from the asset has expired;
- the Trust Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Trust Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Trust Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Trust Group’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Trust Group could be required to repay.

Financial Liabilities

Classification. The Trust Group classifies its financial liabilities at initial recognition under the following categories: (a) financial liabilities at amortized cost and (b) financial liabilities at FVPL.

As at reporting date, the PhilEquity Feeder does not have financial liabilities at FVPL.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Trust Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

Other accountabilities are included under this category.

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

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the separate statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the separate statement of financial position.

Net Asset Value per Unit

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

Principal

Principal is measured at the amount of consideration received from the unitholders, net of withdrawals of principal.

Accumulated Losses

Accumulated losses represent the cumulative balance of net income or loss, net of any withdrawal of income.

Income Recognition

Income is recognized to the extent that revenue can be reliably measured, it is probable that the economic benefits will flow to the PhilEquity Feeder Fund and the income can be measured reliably.

The following specific recognition criterion must also be met before income is recognized.

Interest Income. Interest income is recognized using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial assets (or when appropriate over a shorter period) to the net carrying amount of the financial asset. When calculating the effective interest rate, the Trust Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

When a financial asset becomes credit-impaired and is regarded as Stage 3, the Trust Group calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset, provided that there is a reasonable degree of certainty as to its collectability.

Trading Gains (Losses). Trading gains (losses) represent results arising from trading activities including gains and losses from changes in fair value and disposals of financial assets at FVPL.

Expense Recognition

Expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Costs and expenses are recognized upon receipt of goods, utilization of services or when the costs and expenses are incurred.

Trust Fees. Trust fees are recognized as incurred and are generally charged against the earnings of the PhilEquity Feeder Fund at a flat rate or a percentage of the fund being managed.

Income Taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date. Taxes mainly represent final withholding tax of 20% on gross interest income accruing to the unitholders arising from peso-denominated deposit in banks and debt securities.

Provisions

Provisions are recognized when the Trust Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting year, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessment and the risks specific to the obligation. Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimate.

Contingencies

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

Events after the Reporting Year

Subsequent events that provide additional information about the PhilEquity Feeder Fund's financial position at the reporting year are reflected in the separate financial statements when material. Subsequent events that are non-adjusting events are disclosed in the notes to separate financial statements when material.

3. Significant Accounting Judgment, Estimate and Assumption

The preparation of separate financial statements requires the Trust Group, on behalf of the unitholders, to exercise judgment, make estimates and use assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgment

In the process of applying the PhilEquity Feeder Fund's accounting policies, the Trust Group, on behalf of the unitholders, has made the following judgment, apart from those involving estimation, which have the most significant effect on the amounts recognized in the separate financial statements:

Determining the Classification of Financial Instruments. Classification of financial assets depends on the results of the business model test and sole payment of principal and interest test performed by the Trust Group.

The Trust Group exercises judgment in determining the business model to be used in managing its financial instruments to achieve its business objectives. Below are the factors considered by the Trust Group in its business model assessment:

- Specific business objectives in holding the financial assets,
- Policies in managing the risks of the financial assets,
- Expected frequency, value and timing of sales, and
- Key performance indicators of the financial assets.

The Trust Group also determines whether the contractual terms of debt instruments classified and measured as financial assets at amortized cost give rise to specified dates to cash flows that are solely payments for principal and interest, with interest representing time value of money and credit risk associated with the outstanding principal amount.

Estimate and Assumption

The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below.

Estimating Impairment Losses on Financial Assets. Impairment losses on financial assets are based on ECL. In assessing the ECL, the Trust Group uses historical credit loss experience adjusted for forward-looking factors, as appropriate.

The Trust Group measures impairment loss based on the 12-month ECL for the receivables and other financial instruments on which credit risk has not increased significantly since initial recognition. Otherwise, impairment losses will be based on lifetime ECL.

In estimating impairment loss of financial assets at amortized cost, the Trust Group estimates the amounts and timing of future cash flows and collateral values and the assessment of a significant increase in credit risk.

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.

No provision for credit and impairment on financial assets at amortized cost were recognized in 2023 and 2022. The carrying amounts of deposits with the Bank as at December 31, 2023 and 2022 are disclosed in Note 6.

4. Risk Management Objectives and Policies

The PhilEquity Feeder Fund's financial instruments comprise all of the assets and other accountabilities. The main purpose of these financial instruments is to finance the PhilEquity Feeder Fund's operations.

The main risks arising from the PhilEquity Feeder Fund's financial instruments are credit risk, liquidity risk and market risk. The BOD reviews and approves policies for managing these risks as summarized below.

Credit Risk

Credit risk is the risk that the PhilEquity Feeder Fund will incur a loss because its counterparties fail to discharge their contractual obligations. The Trust Group, on behalf of the unitholders, trades only with recognized, creditworthy third parties. It is the PhilEquity Feeder Fund's policy that all customers who wish to trade on credit are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the PhilEquity Feeder Fund's exposure to bad debts is not significant. As at December 31, 2023 and 2022 there were no significant credit concentrations.

With respect to credit risk arising from the financial assets of the PhilEquity Feeder Fund, which is composed of deposits with the Bank, the PhilEquity Feeder Fund's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amounts of the instruments.

Credit risk is measured through the Outlet Exposure Report and Client Exposure per Outlet Report, the Credit Quality Report and Credit Analysis Report.

The credit risk function of the Trust Group and the Risk Officer, assigned or will be assigned to monitor the trust activities, includes the following: define, establish and communicate credit risk measurements and methodologies; provide analysis of risk entities and consolidate credit exposures, assist in identification, and measurement of credit risk in each market, and continuously re-evaluate the credit risk infrastructure to support the Trust Group in dynamic and volatile environments.

Management of Credit Risk. The BOD has delegated the responsibility for the management of credit risk to the Trust Group. The Trust Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring exposures in relation to such limits.

The Trust Group has created a Credit Policy manual which covers the policies and guidelines in granting credits/loans to prospective borrowers/clients of the Trust Group.

The Trust Group, on behalf of the trustors, monitors exposure to credit risk by industry sector. The risk concentration is managed through regular review of compliance with the internal and regulatory limits.

The table below presents the distribution of financial assets by industry sector of the PhilEquity Feeder Fund, before taking into consideration any collateral and credit enhancements as at December 31:

	2023		
	Deposits with the Bank	Investment Securities	Total
Investments in UITF	₱–	₱18,071,458	₱18,071,458
Financial institutions	9	–	9
	₱9	₱18,071,458	₱18,071,467

	2022		
	Deposits with the Bank	Investment Securities	Total
Investments in UITF	₱–	₱17,341,233	₱17,341,233
Financial institutions	8,117	–	8,117
	₱8,117	₱17,341,233	₱17,349,350

The PhilEquity Feeder Fund operated by the Trust Group has no collateral or credit enhancements on its financial assets as at December 31, 2023 and 2022.

Credit Quality per Class of Financial Assets. The Trust Group has developed and continually reviews and calibrates its internal risk rating system for large exposures aimed at uniformly assessing its credit portfolio in terms of risk profile.

As at December 31, 2023 and 2022, all of the PhilEquity Feeder Fund's financial assets are considered as high grade. All the financial assets are classified as Stage 1 financial assets based on the requirements of PFRS 9.

The PhilEquity Feeder Fund operated by the Trust Group has no past due and specifically impaired accounts as at December 31, 2023 and 2022.

Liquidity Risk

Liquidity risk is the risk of not being able to meet funding obligations such as repayment of liabilities or payment of asset purchases. The Trust Group, on behalf of the trustors, manages liquidity risk by holding sufficient liquid assets to ensure that short-term funding requirements are met.

Analysis of Financial Instruments by Remaining Contractual Maturities. The table below shows the maturity profile of the PhilEquity Feeder Fund operated by the Trust Group's financial instruments as at December 31, 2023 and 2022 based on the Trust Group's internal methodology that manages liquidity based on contractual undiscounted cash flows:

	2023					Total
	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	
Financial Assets						
Deposits with the Bank	₱9	₱-	₱-	₱-	₱-	₱9
Investment securities	-	-	18,071,458	-	-	18,071,458
	₱9	₱-	₱18,071,458	₱-	₱-	₱18,071,467
Financial Liabilities						
Other accountabilities	₱15,593	₱-	₱-	₱-	₱-	₱15,593

	2022					Total
	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	
Financial Assets						
Deposits with the Bank	₱8,117	₱-	₱-	₱-	₱-	₱8,117
Investment securities	-	-	17,341,233	-	-	17,341,233
	₱8,117	₱-	₱17,341,233	₱-	₱-	₱17,349,350
Financial Liabilities						
Other accountabilities	₱55,230	₱-	₱-	₱-	₱-	₱55,230

Market Risk

Market risk is the risk of loss to future earnings, fair values or future cash flows as a result of changes in interest rates, foreign exchange rates, commodity prices, equity prices and other market changes. The PhilEquity Feeder Fund's market risk originates from its investments in UITF.

Price Risk. Price risk is the risk that the fair value of the financial instruments particularly equity securities will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

To manage exposure to losses due to downside volatility of equity prices, allocations to equities are subject to a limit. Moreover, the performance is measured and monitored regularly using risk-adjusted return measures.

5. Fair Value Measurement

The fair values of investments in UITF which are classified as financial assets at FVPL, are based on NAV per unit (Level 2 of fair value hierarchy).

There were no transfers between fair value measurements in 2023 and 2022.

As at December 31, 2023 and 2022, the carrying amounts of the PhilEquity Feeder Fund's deposits with the Bank and other accountabilities approximate their fair values due to the short-term nature of these financial instruments.

6. Deposits with the Bank

This pertains to deposits with the Bank amounting to ₱9 and ₱8,117 as at December 31, 2023 and 2022, respectively. Interest income earned from the deposits with the Bank amounted to ₱12 and ₱148 in 2023 and 2022, respectively.

Deposits with the Banks bear 0.50% interest in 2023 and 2022.

7. Investment Securities

This pertains to investments in UITF amounting to ₱18.1 million and ₱17.3 million as at December 31, 2023 and 2022, respectively.

In 2023, the PhilEquity Feeder Fund incurred net trading gains amounting to ₱0.2 million. Net trading losses amounted to ₱1.2 million in 2022.

No interest income was earned in 2023 and 2022.

8. Other Accountabilities

This account consists accrued trust fees amounting to ₱15,593 and ₱55,230 as at December 31, 2023 and 2022, respectively.

9. Classification of Assets and Other Accountabilities

As at December 31, 2023 and 2022, the PhilEquity Feeder Fund's assets and other accountabilities are all considered as current because these are expected to be recovered or settled within one year.

10. Trust Operations

Under the BSP Circular No. 447, *Regulations Governing the Creation, Administration and Investment/s of Unit Investment Trust Funds*, a UITF is exempted from statutory and liquidity reserves.

11. NAV per Unit

The NAV per unit of the PhilEquity Feeder Fund is computed as follows:

	2023	2022
NAV	₱18,055,874	₱17,294,120
Outstanding units	22,133,209	21,237,791
NAV per unit	₱0.82	₱0.81