

FINAL PROSPECTUS

RELATING TO THE PUBLIC OFFER OF

1,000,000,000 SHARES
OF COMMON STOCK OF

**FIRST METRO
SAVE & LEARN BALANCED FUND, INC.**

AN OPEN-END INVESTMENT COMPANY
ISSUER

The number of securities to be offered inclusive of what has already been subscribed to upon incorporation is One Billion (1,000,000,000) shares. The price at which the shares are to be offered is based on the Net Asset Value (NAV) per share computed on a daily basis. The shares are traded over-the-counter.

FIRST METRO ASSET MANAGEMENT, INC.
INVESTMENT COMPANY ADVISER, FUND ADMINISTRATOR,
AND PRINCIPAL DISTRIBUTOR

THIS PROSPECTUS IS DATED
7 October 2014

Out of the authorized One Billion (1,000,000,000) shares at a par value of One peso (P1.00) per share, the number of shares to be offered by the issuer is Five Hundred Million (500,000,000) so that the total number of shares outstanding after the offering is One Billion (1,000,000,000). The gross proceeds from the sale of the shares of stock of the fund estimated at P1,424,800,000 (500 million unissued capital stock at P2.8496 per share which is the NAVPS as of June 30, 2014) shall be held by the issuer's custodian bank, which is The Hong Kong Shanghai Banking Corporation.

The proceeds from the offering will be invested in listed equities, government securities, SEC-registered commercial papers, among other debt instruments, all of these are valued on a marked-to-market valuation basis. The investment objective of the Fund is classified as moderate risk. The assets of the Fund shall be structured based on market conditions, the level of interest rates, and liquidity needs of the Fund, where its investments in debt instruments, denominated in Philippine Pesos or foreign currencies, are to be of above-average credit quality and minimal risk, and the average maturity are to take into account any expectation of any changes in interest rates.

The Issuer is a domestic corporation, incorporated on 29 January 2007 as First Metro Save and Learn Balanced Fund, Inc. (the "Fund"), with principal business office address at 18th Floor, PSBank Center 777 Paseo de Roxas Makati City, Philippines, and Telephone Numbers: (632) 891-2860.

The issuer is engaged primarily in the business of investing, reinvesting and trading in securities and the sale of its shares of stock. As a licensed Mutual Fund, it offers to the public, on a continuous basis, redeemable shares of stock, at a price computed on a daily basis plus a front end sales load.

While the Fund aims to provide total returns consisting of current income and capital appreciation, various risk factors (such as stock market risk, interest rate risk, credit risk, inflation risk, manager risk) can affect the market value of the assets of the Fund and cause the Fund's net asset value to vary. Consequently, there can be instances where the redemption prices of redeemed shares will be less than the prices at which the shares were originally purchased. Investors who redeem their shares during this time may not recover the full cost of their investment.

First Metro Asset Management, Inc. (FAMI) is the Investment Manager, Fund Administrator and Principal Distributor of the Fund.

The shares issued by the Fund have not been publicly offered. Once the shares of stock issued by the Fund are offered to the public, the Fund intends to invest the proceeds from the sale of the shares of stock in a portfolio of carefully selected equity and debt securities. The Fund's investments shall be guided by Investment Guidelines and Restrictions, which are set out in detail in the body of this Prospectus.

The total fee payable to First Metro Asset Management, Inc. (FAMI), is a monthly fee equivalent to one-and-seven-eighths percent (1.875%) per annum of the average net asset value of the Fund's assets, computed on a daily basis. The "net asset value" shall be determined by computing the total value of the Fund's assets less its liabilities divided by the number of outstanding shares in accordance with the

procedure used in computing the net asset value of each share of the Fund. In addition, as Investment Manager, FAMI shall be paid an incentive fee equivalent to 10% of the realized appreciation in the value of the fund's net assets in excess of the benchmark, defined as follows: Benchmark = 60% x [PSEi Annual Performance + 6.5%] + 40% x [Mart1(5 years) + 1%]". FAMI will also receive from the Fund a sales load fee based on the following schedule:

<u>Investment Amount</u>	<u>Sales Load</u>
P5,000 to less than P100,000	2.0%
P100,000 to less than P500,000	1.5%
P500,000 to less than P2,000,000	1.0%
P2,000,000 and above	0.5%

The Fund is authorized under its By-Laws to issue cash, property and stock dividends out of its unrestricted retained earnings whenever the condition of the Fund's finances will render it expedient to declare said dividends. If ever dividends are declared, the computation and distribution shall be proportionate to the holdings or ownership of each of the stockholders.

As provided for in the issuer's By-laws, the Board of Directors may make arrangements with its stockholders whereby dividends and/or other distributions may be reinvested in the Fund's securities in lieu of cash to be paid to the stockholders. The arrangement with shareholders shall be such that the dividends to be reinvested shall be valued at the net asset value per share of the Fund at the time said dividends are paid.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT.

HECTOR C. DE LEON

President

SUBSCRIBED AND SWORN to before this 13th day of August 2014, affiant exhibiting to me his Passport No. EB3946257 issued on 26 October 2011 at DFA Manila and valid until 25 October 2016.

Doc. No. _____;
Page No. _____;
Book No. _____;
Series of 2014.

SUMMARY OF FINANCIAL INFORMATION
STATEMENTS OF ASSETS AND LIABILITIES

	As of June 30, 2014 (Unaudited)	As of December 31	
		2013 (Audited)	2012 (Audited)
Total Assets	₱2,598,056,031	₱2,478,544,092	₱1,611,167,026
Total Liabilities	25,651,241	32,446,430	33,348,245
Net Assets	₱2,572,404,790	₱2,446,097,662	₱1,577,818,781
Net Asset Value per Share (NAVPS)	₱2.8496	₱2.6893	₱2.6565

STATEMENTS OF INCOME AND EXPENSES

	For the Period Ended June 30, 2014 (Unaudited)	For the Year Ended December 31	
		2013 (Audited)	2012 (Audited)
Trading Gain (Loss) on Investment	₱163,906,151	(₱40,053,412)	₱269,229,917
Dividend Income	38,988,568	29,596,505	12,450,867
Interest Income	15,545,274	20,892,134	16,710,167
Miscellaneous Income	-	-	313,282
Gross Income	218,439,993	10,435,227	298,704,233
Less: Expenses	53,543,809	82,586,592	34,608,520
Net Income Before Tax	164,896,184	(72,151,365)	264,095,713
Provision for Income Tax	3,527,821	4,503,089	3,315,549
Net Income	₱161,368,363	(₱76,654,454)	₱260,780,164

As of June 30, 2014 and December 31, 2013, the percentage contributions of the various sources of income are as follows:

	For the Period Ended June 30, 2014 (Unaudited)		For the Year Ended December 31, 2013 (Audited)	
	Amount	%	Amount	%
Realized Trading Gain	₱163,906,151	75%	(₱40,053,412)	-384%
Dividend Income	38,988,568	18%	29,797,477	284%
Interest Income	15,545,274	7%	20,892,134	200%
	₱218,439,993		₱10,435,227	

TABLE OF CONTENTS

SUMMARY OF FINANCIAL INFORMATION	4
RISK DISCLOSURE STATEMENT	9
<i>GENERAL RISK WARNING</i>	9
<i>PRUDENCE REQUIRED</i>	9
<i>PROFESSIONAL ADVICE</i>	9
Prospectus Summary	10
<i>Issuer</i>	10
<i>Investment Objective</i>	10
<i>Type of Issue</i>	10
<i>Shares Offered</i>	10
<i>Par Value</i>	10
<i>Offering Price</i>	10
<i>Sales Load Fee</i>	10
<i>Minimum Investment</i>	10
<i>Redemption Price</i>	10
<i>Daily Cut-Off Time</i>	10
<i>Redemption Charge</i>	11
Risks of Investing	11
Risk Factors	11
<i>Stock market risk</i>	111
<i>Interest rate risk</i>	111
<i>Credit risk</i>	122
<i>Inflation risk</i>	122
<i>Manager risk</i>	122
<i>Risk of dilution</i>	122
Glossary	133
The Fund	144
<i>Background and Purpose</i>	144
<i>Capitalization and Ownership</i>	144
<i>Properties</i>	166
<i>Market Information</i>	166
<i>Market Price</i>	16
<i>Top 20 Stockholders</i>	167

<i>Dividends</i>	177
<i>Affiliated Companies</i>	188
Management’s Discussion and Analysis of Financial Condition and Results of Operations	188
<i>Cash and cash equivalents</i>	188
<i>Trading and Investments Securities</i>	198
<i>Financial Assets at FVPL</i>	199
<i>AFS Investments</i>	199
<i>Loans and Receivables</i>	20
<i>Accounts Payable and Accrued Expenses</i>	20
<i>Authorized Capital Stock</i>	21
RESULTS OF OPERATION	233
2014.....	233
2013.....	244
2012.....	244
DISCUSSION OF KEY PERFORMANCE INDICATORS	255
OTHER INFORMATION	256
FINANCIAL SOUNDNESS INDICATORS	26
Directors and Officers of the Fund	27
<i>DIRECTORS</i>	27
<i>EXECUTIVE OFFICERS</i>	29
Significant Employee	30
Family Relationship	30
Executive Compensation	31
Compensation of Directors and Officers	31
Legal Proceedings	31
Security Ownership of Certain Record and Beneficial Owners	32
Security Ownership of Management	32
Certain Relationships and Related Transactions	33
Interest of Named Experts and Independent Counsel. Direct or Indirect Interest in Registrant	33
Compliance with the Investment Company Act	33
<i>Investment Policy</i>	33
<i>Investment Guidelines and Restrictions</i>	33

Use of Proceeds 35

Expenses to be deducted from the Gross Proceeds..... 35

Plan of Distribution/Distribution method 36

Competition 37

Effect of existing governmental regulation 37

Subscription Procedure 38

Eligible Investors..... 38

Requirements for Corporate Applicants 38

Minimum Investment 39

Offering Price 39

Acceptance of Investment Applications 39

Payment Terms 40

Refunds..... 40

Delivery of Stock Certificates..... 40

Redemption of Shares..... 40

Benefits to the Investor..... 40

Professional Management 40

Diversification at Low Cost 40

Liquidity 41

Convenience 41

Protecting Investors..... 42

Parties Involved in the Fund..... 42

Investment Manager, Fund Administrator, and Principal Distributor 42

CORPORATE GOVERNANCE 48

Custodian Bank 49

Transfer Agent 49

External Auditors..... 49

Material Contracts and Agreements 50

Management and Distribution Agreement 51

Custodian Bank Agreement 51

Stock and Transfer Agency Agreement 51

Expenses Chargeable to the Fund and the Fund Management 51

Applicable Philippine Laws 52

RISK DISCLOSURE STATEMENT

GENERAL RISK WARNING

- The price of securities can and does fluctuate, and any individual security may experience upward or downward movement, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities.
- Past performance is not a guide to future performance.
- There is an extra risk of losing money when securities are bought from smaller companies. There may be a big difference between the buying price and the selling price of these securities.
- An investor deals in a range of investments of which may carry a different level of risk.

PRUDENCE REQUIRED

This disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. An investor should undertake his or her own research and study on the trading of securities before commencing any trading activity. He/she may request information on the securities and issuer thereof from the Commission which are available to the public.

PROFESSIONAL ADVICE

An investor should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities to invest in or the nature of risk involved in trading of securities especially those high risk securities.

Prospectus Summary

The following summary is qualified in its entirety by the detailed information appearing elsewhere in this Prospectus.

Issuer

First Metro Save and Learn Balanced Fund, Inc.

Investment Objective

The Fund seeks to provide total return consisting of as high a level of current income as is consistent with the preservation of capital and liquidity and long-term capital appreciation by investing in a mix of debt instruments and equity securities.

Type of Issue

Open-end investment company.

Shares Offered

Common stock.

Par Value

One Peso (Php1.00) per share.

Offering Price

At Net Asset Value (NAV) per share for the banking day, if payment is made within the daily cut-off time, plus a front-end sales load fee.

Sales Load Fee

<u>Investment Amount</u>	<u>Sales Load</u>
P5,000 to less than P100,000	2.0%
P100,000 to less than P500,000	1.5%
P500,000 to less than P2,000,000	1.0%
P2,000,000 and above	0.5%

Minimum Investment

The minimum initial investment shall be 5,000.00 and the minimum additional investments shall be P1,000.00. All sales shall be on cash basis and installment sales are prohibited.

Redemption Price

The price of securities surrendered for redemption within the daily cut-off time shall be the NAV per share of the next banking day while those surrendered after the daily cut-off time shall be deemed to have been received on the next banking day and will be processed accordingly. Payment shall be made no later than seven (7) banking days from receipt of redemption request.

Daily Cut-Off Time

12:00 Noon.

Redemption Charge

<u>Retention Period</u>	<u>Fee</u>
Less than 6 months	1.0%
6 months and beyond	nil

Risks of Investing

An investment in the Fund is not insured or guaranteed by the Philippine Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of its investments, it is possible to lose money by investing in the Fund. The Fund's income will change as a result of movements in the stock market and other macroeconomic factors. No single fund is intended to be a complete investment program, but individual funds, such as this Fund, can be an important part of a balanced and diversified investment program. Mutual funds have the following general risks: returns may vary, the investor may lose money, and the investor cannot be certain that the Fund will achieve its investment objective.

Risk Factors

Various risk factors can affect the market value of the assets of the Fund and cause the Fund's net asset value to vary. Consequently, there are instances where redemption prices of redeemed shares may be less than the prices at which the shares were originally purchased. Investors who redeem their shares during this time may not recover the full cost of their investment.

The following are the risks factors in the order of importance:

Stock market risk

Investing in shares of stock is generally riskier because of the volatility of the stock market. Changes in prices of equity securities that compose the Fund's portfolio may substantially vary in a short span of time. The performance of the companies whose shares are included in the portfolio of the Fund is very much dependent on the people behind those companies. Added to that, stock prices are sensitive to political and economic conditions that normally change from time to time. To manage the risk, the stocks included in the portfolio will be cautiously selected by the investment manager based on their soundness and long-term profitability. Diversification of the stockholdings (not only in terms of the number of stocks but also in the different sectors and industries) of the portfolio will be done to reduce its impact.

Interest rate risk

If interest rates rise, the prices at which the assets of the Fund can be sold may fall. The longer the maturity of the assets, the more sensitive the prices of the assets will be to changes in interest rates. In other words, a long-term investment (e.g. 5-year Retail Treasury Bond) will have higher interest rate sensitivity than a short-term investment (e.g. 365-day Treasury Bill). To mitigate the risks, the Fund manager will diversify in terms of the type of securities (such as treasury bonds, notes, bills) and the time horizons of the said securities (such as one-year, 3-year, 5-year, 10-year, and above 10 years).

Credit risk

Credit risk (also called default risk) is the risk that the issuer of the security will not be able to make principal and interest payment on a debt issue. The credit ratings of issuers can change and affect the Fund's returns. To manage the risk, SEC-registered and investment grade fixed-income securities will be selected.

Inflation risk

Inflation risk is the risk that inflation may erode the real value of an investment by the Fund. One way to manage the risk is to actively trade in fixed-income securities, particularly government securities, which are valued on a marked-to-market basis.

Manager risk

The performance of the Fund is dependent upon the investment manager's skill in making appropriate investments. As a result, the Fund may under-perform the market or its peers. Also, the Fund could fail to meet its investment objectives. The board of directors of the issuer will see to it that the all investment policies and restrictions enumerated in this prospectus are strictly followed. The board will meet more often to continually monitor the investment manager's performance in this area.

No single fund is intended to be a complete investment program, but individual funds, such as this Fund, can be an important part of a balanced and diversified investment program. Mutual funds have the following general risks: returns may vary, the investor may lose money, and the investor cannot be certain that the Fund will achieve its investment objective.

Risk of dilution

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

Adoption of PAS 39

Mark-to-market method of valuation of fixed-income instruments, assesses such instruments on the current market price for that particular instrument so that any profit or loss is reflected or booked in the net assets of the Fund; hence the net asset value per share is affected.

Risks of this kind can be managed by proper portfolio diversification in terms of types of debt instruments. Interest rate risk can be further managed by spreading out the schedule of maturities or tenors. By diversifying its investments across different issuers, the Fund can manage credit or default risk. Additionally, the Investment Company Act requires that not more than 10% of the Fund's assets may be invested in one issuer.

Purchasing power risk will be managed by the Fund manager by attempting to invest in instruments that provide greater than the current inflation rate.

Prospective investors should carefully evaluate these risks as well as and in connection with the other information contained in this prospectus.

Glossary

The following words or expressions used in this Prospectus, unless the context otherwise requires, shall have the corresponding meanings:

Act	Investment Company Act, Republic Act No. 2629
BSP	Bangko Sentral ng Pilipinas
Close-end Company	An investment company other than an open-end company
Custodian Bank	The Hongkong and Shanghai Banking Corp. Ltd.
Investment Application Form	The forms to be used by the Principal Distributor for investors to purchase the shares of stock of the Fund in accordance with the terms and conditions of the Fund as described in this Prospectus.
Investment Company	Any issuer which is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, re-investing or trading in securities, as defined in Section 4 of the Act.
Fund Manager	First Metro Asset Management, Inc. or (FAMI)
Fund Administrator and Principal Distributor	First Metro Asset Management, Inc. or (FAMI)
Investor	Any person, association, or corporation with the intention of investing in the shares of the Fund.
NAV	Net Asset Value
Open-end Company	An investment company which is offering for sale, or has outstanding, any redeemable security, of which it is the issuer.
P or Pesos	Philippine Pesos, lawful currency of the Republic of the Philippines
PSE or Stock Exchange or the Exchange	The Philippine Stock Exchange, Inc.
R.A. 2629	Republic Act No. 2629 or the Investment Company Act of 1960
SEC	Securities and Exchange Commission
Shareholder or Stockholder	Any natural or juridical person who has subscribed to the shares of the Fund.

Transfer Agent	Metrobank Trust Banking Group
VAT	Value Added Tax

The Fund

Background and Purpose

First Metro Save and Learn Balanced Fund, Inc. is an open-end investment company, which was incorporated on 29 January, 2007. It is principally engaged in the sale of its shares of stock and in the investment of the proceeds from these sales into a portfolio of quality, high grade equity securities and fixed income instruments. The Fund's investment objective is classified as moderate. One of the objectives of the Fund is to provide small investors with the opportunity to access the capital markets and enable them to reap satisfactory returns on their investments through prudent selection of equity and fixed income securities, and the professional management and supervision of the Fund.

While the Fund aims to provide total returns consisting of current income and capital appreciation, various risk factors (such as stock market risk, interest rate risk, credit risk, inflation risk, manager risk) can affect the market value of the assets of the Fund and cause the Fund's net asset value to vary. Consequently, there can be instances where the redemption prices of redeemed shares will be less than the prices at which the shares were originally purchased. Investors who redeem their shares during this time may not recover the full cost of their investment.

To manage stock market risk, the stocks included in the portfolio will be cautiously selected based on their soundness and long-term profitability. Diversification of the stockholdings (not only in terms of the number of stocks but also in the different sectors and industries) of the portfolio will be also done to reduce this risk.

On interest rate and inflation risks, the Fund manager will diversify in terms of the type of fixed income securities and time horizons of the said securities.

To manage default risk, SEC-registered and investment grade fixed-income securities will be selected.

On management risk, the issuer's board of directors will see to it that all investment policies and restrictions mentioned in this prospectus are strictly followed. The board will meet more often to continually monitor the investment manager's performance in this area.

Capitalization and Ownership

The Fund's authorized capital is ONE BILLION PESOS (Php1,00,000,000.00), composed of One Billion (1,000,000,000) unclassified common shares with a par value of Php1.00 per share.

Initially, the Company had an initial paid-up capital of TWENTY FIVE MILLION PESOS (Php25,000,000.00), which was subscribed by the following:

Name	Nationality	Number of shares subscribed	Amount subscribed (in Php)	Percentage (%)
First Metro Investment Corporation	Filipino	24,999,992	24,999,992.00	100.00
Antonio M. Bernardo	Filipino	1	1.00	0
Francisco G. Co	Filipino	1	1.00	0
Roberto Juanchito T. Dispo	Filipino	1	1.00	0
Manuel V. De Leon, FMS	Filipino	1	1.00	0
Gloria C. Garrovillo	Filipino	1	1.00	0
Eduardo A. Mendoza	Filipino	1	1.00	0
Nimfa B. Pastrana	Filipino	1	1.00	0
Edwin B. Valeroso	Filipino	1	1.00	0
TOTAL		25,000,000	25,000,000.00	100.00

Pursuant to Article IV, Section 4.4 of the SEC's rules and regulations governing R.A. 2629, the incorporators of the Fund agreed not to sell, transfer, convey, encumber or otherwise dispose of their shares in the Fund within twelve (12) months from the registration date of the Fund.

Each share of stock of the Fund is a voting stock with voting rights equal to every other outstanding shares of stock and subject to the following:

- Right of Redemption – The holder of any shares of stock of the Fund, upon presentation to the Fund or to any of the Fund's duly authorized representatives of the Confirmation Receipt or stock certificate, and upon filing of the duly accomplished redemption form, shall receive by way of redemption approximately his proportionate share in the Fund's current net assets or the cash equivalent thereof, i.e., the net current asset value per share, subject to existing laws and the By-Laws of the Fund.
- Waiver of Pre-emptive Rights – No stockholder shall, because of his ownership of stock, have a pre-emptive or other right to purchase, subscribe for, or take any part of any stock or of any other securities convertible into or carrying options or warrants to purchase stock of the Fund. The Fund's Articles of Incorporation further provide that any part of such stock or other securities may at any time be issued, optioned for sale, and sold or disposed

of by the Fund pursuant to the resolution of its Board of Directors, to such persons and upon such terms as the Board may deem proper, without first offering such stock or securities or any part thereof to existing stockholders.

- Restrictions on Transfer – No transfer of stock of the Fund's stock, which would reduce the stock ownership or equity interest of Filipino citizens to less than the percentage required by applicable laws or regulations shall be caused or allowed to be recorded in the books of the Fund.
- Distribution of Dividends - As provided for in the Fund's By-laws, the Board of Directors may make arrangements with its stockholders whereby dividends and/or other distributions may be reinvested in the Fund's securities in lieu of cash to be paid to the stockholders. The arrangement with shareholders shall be such that the dividends to be reinvested shall be valued at the net asset value per share of the Fund at the time said dividends are paid.

Consistent with Sec 5 of the By-Laws of the issuer, the Board of Directors, may by resolution, direct that the stock transfer books of the issuer be closed for a period not exceeding thirty (30) days preceding the date for the payment of any dividend, as a record date for the determination of the stockholders entitled to receive payment of any such dividend and in such case only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to receive payment of such dividend, notwithstanding any transfer of any stock on the books of the issuer after such record date as aforesaid.

Properties

The issuer does not own any properties (such as real estate, plant and equipment, mines, patents, etc.).

Market Information

There is no principal market where the Fund's shares will be traded, not even in the Philippine Stock Exchange due to its nature as an open-end investment company. The Fund's shares shall be sold through its appointed Principal Distributor and sub-distributors.

Market Price

Below is the list of Net Asset Value per Share (NAVPS) of the Fund for the first and second quarters of 2014, all quarters of 2013 and 2012, respectively.

Year		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2014	Highest	2.7817	2.8850		
	Lowest	2.6604	2.7621		
2013	Highest	3.0015	3.1528	2.9604	2.8729
	Lowest	2.6554	2.6933	2.6817	2.6499
2012	Highest	2.4589	2.5437	2.5250	2.6599
	Lowest	2.1200	2.3611	2.3679	2.5138

Top 20 Stockholders

As of June 30, 2014 there are 6,520 shareholders of the Fund's common stock. Shown below are the top twenty (20) shareholders, including the number of shares and percentage of ownership held by each.

NO.	ACCOUNT NO.	NO. OF SHARES	PERCENTAGE OF OWNERSHIP
1	7	132,904,887	14.72%
2	25264	46,951,686	5.20%
3	5890	27,620,970	3.06%
4	6030	18,690,690	2.07%
5	18242	14,737,420	1.63%
6	78	14,633,063	1.62%
7	430	12,813,997	1.42%
8	28750	10,474,052	1.16%
9	26864	9,550,150	1.06%
10	26937	9,272,381	1.03%
11	23038	8,650,841	0.96%
12	4086	7,707,645	0.85%
13	5672	7,252,383	0.80%
14	8303	6,906,405	0.77%
15	21343	6,521,264	0.72%
16	7939	6,087,743	0.67%
17	27294	5,692,151	0.63%
18	7535	5,598,672	0.62%
19	19113	5,279,088	0.58%
20	8260	5,235,386	0.58%

Dividends

The Corporation Code generally requires a Philippine corporation with surplus profits in excess of 100% of its paid-up capital to declare and distribute such surplus to its shareholders in the form of dividends. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus when (i) justified by definite corporate expansion projects or programs approved by the Board of Directors; or (ii) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/his consent, and such consent has not yet been secured; or (iii) when it can clearly be shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probably contingencies.

The Board of Directors of the Fund has adopted a policy, consistent with the Fund's objective of capital appreciation, to retain the surplus profits of the Fund in the retained earnings account. Such accumulation is reflected in the computation of the net asset value per share. Shareholders realize their gains when shares are redeemed. To date, there have been no distributions of dividends to shareholders. The Board of Directors of the Fund may amend the dividend policy

as conditions warrant. In said event, the declaration of cash dividends is subject to the restriction that no dividends will be declared that will impair the capital stock of the company

The Board of Directors of the Fund may decide to declare dividends from the unrestricted retained earnings of the Fund at a time and percentage as the same Board may deem proper and in accordance with law. If dividends are to be declared, the computation and distribution shall be proportionate to the holdings or ownership of each of the stockholders.

As provided for in the issuer's By-laws, the Board of Directors may make arrangements with its stockholders whereby dividends and/or other distributions may be reinvested in the Fund's securities in lieu of cash to be paid to the stockholders. The arrangement with stockholders shall be such that the dividends to be reinvested shall be valued at the net asset value per share of the Fund at the time said dividends are paid.

Affiliated Companies

First Metro Investment Corporation (FMIC) is affiliated with the Fund, being its majority founding shareholder. First Metro Asset Management, Inc. (FAMI) is also the Investment Manager, Administrator, and Principal Distributor of other investment companies (namely: First Metro Save & Learn Equity Fund, First Metro Save & Learn Fixed-Income Fund, First Metro Save & Learn Dollar Bond Fund, and First Metro Global Opportunity Fund); FMIC is the parent company of FAMI and it is also a stockholder of the other investment companies.

Management's Discussion and Analysis of Financial Condition and Results of Operations

As of June 30, 2014, total resource of the Fund amounted to P2.60 billion, 4.82% or P119.51 million increases from P2.48 billion as of December 31, 2013. The changes in total assets are primarily due to the movements in the following accounts:

Cash and cash equivalents

This account consists of:

	June 30, 2014	December 31, 2013	December 31, 2012
Cash in banks	₱9,718,497	₱27,623,568	₱24,822,343
Time Deposits	270,982,235	34,364,602	44,428,047
	₱280,700,732	₱61,988,170	₱102,250,390

Cash in banks earn interest at the respective bank deposit rates. Time deposits bear annual interest rates ranging from 0.25% to 2.25% in 2014 and 2013.

The increase of 352.83% from the beginning of the year balance is mainly due to additional deposits which came from proceeds of sale of the Fund's shares and equity investments.

Trading and Investments Securities

This account consists of:

	June 30, 2014	December 31, 2013	December 31, 2012
Financial assets at FVPL	₱1,621,599,885	₱1,710,341,438	₱1,292,226,334
AFS investments	494,294,953	476,320,357	204,628,784
	₱2,115,894,838	₱2,186,661,795	₱1,496,855,118

Financial assets at FVPL consist of equity and private debt investment. These securities decrease by ₱88.74 million or 5.19% amounting to P1.62 billion for June 30, 2014 compare to P1.71 billion as of December 31, 2013. The decrease was mainly due to the net sale of equity securities during the period.

Financial Assets at FVPL

This account consists of the following HFT (Held-for-Trading) securities:

	June 30, 2014	December 31, 2013	December 31, 2012
Quoted equity securities	₱1,592,005,274	₱1,685,017,711	₱1,292,226,334
Private bonds	29,594,611	25,323,727	-
	₱1,621,599,885	₱1,710,341,438	₱1,292,226,334

AFS Investments

AFS investments consist of the following securities:

	June 30, 2014	December 31, 2013	December 31, 2012
Government securities	₱277,913,368	₱279,016,559	₱82,161,104
Private bonds	216,381,585	197,303,798	122,467,680
	₱494,294,953	₱476,320,357	₱204,628,784

AFS investments consist of private debt and government securities. This account increased by 3.77% or ₱17.97 million from ₱476.32 million to ₱494.29 million as of December 31, 2013 and June 30, 2014, respectively.

Loans and Receivables

This account consists of:

	June 30, 2014	December 31, 2013	December 31, 2012
Unquoted debt security	₱150,000,000	₱150,000,000	₱-
Due from brokers	32,686,454	71,118,864	10,422,414
Dividend receivable	9,721,141	365,318	906,113
Accrued interest receivable	7,923,714	7,675,530	662,178
Accounts receivable	-	-	140
	₱200,331,309	₱229,159,712	₱149,637,324

Unquoted debt securities represent investments in commercial papers issued by private companies that amounts to ₱150.00 million and earns annual interest rate of 5.00% both for June 30, 2014 and December 31, 2013 cut-off dates.

Due from brokers represent receivables for securities sold but not yet settled as of reporting date. This account decreased by ₱38.43 million or 54.04% mainly due to the lower sales transactions of investments during the period.

Dividend receivables pertain to cash dividends which has been declared but not yet collected as of financial position date. Increase of 2,561.01% or ₱9.36 million from ₱0.37 million to ₱9.72 million this year was mainly due to higher cash dividend declarations made this year.

Accrued interest receivables increased by ₱0.25 million or 3.23% and this represents interests on time deposits, short-term placement and debt securities held by the Fund.

Accounts Payable and Accrued Expenses

This account consists of:

	June 30, 2014	December 31, 2013	December 31, 2012
Financial liabilities:			
Due to brokers	₱12,653,526	₱14,198,218	₱24,852,746
Accounts payable	7,520,555	12,450,544	3,615,843
Payable to FAMI	4,007,113	4,326,225	4,177,465
Accrued expenses	123,221	132,917	156,497
	24,304,415	31,107,904	32,802,551
Nonfinancial liabilities:			
Withholding taxes payable	1,334,137	1,305,356	372,308
Documentary stamp taxes payable	12,689	33,170	173,386
	1,346,26	1,338,526	545,694
	₱25,651,241	₱32,446,430	₱33,348,245

Due to brokers represents amounts payable to brokers for securities purchased but not yet settled as of reporting date. The account is short term and is settled three days after the trade date. The decrease in 'due to brokers' is attributed to the lower purchases of stocks as of the period ended June 30, 2014.

Accounts payable represents amounts payable to shareholders for the unpaid redemption proceeds as well as subscriptions without confirmation from clients. A subscription is confirmed by submitting the required subscription documents. Once confirmed, these subscriptions are reclassified to equity. During the year, most of the subscriptions were already identified and reclassified under equity.

Payable to FAMI includes management fees, redemption fees and sales load fees.

Accrued expenses include unpaid professional fees, custodianship fees and retainer's fee.

Withholding tax payable pertains to withholding taxes from fees payable to the fund manager and the investment transactions.

Documentary stamps tax payable pertains to the sale of fund shares for the month of June 2014.

Authorized Capital Stock

The Fund's authorized and issued capital stock follow:

	June 30, 2014	December 31, 2013	December 31, 2012
Authorized	1,000,000,000 shares	1,000,000,000 shares	500,000,000 shares
Issued	902,717,797 shares	915,581,236 shares	482,672,086 shares

On November 12, 2009 the BOD approved the increase in authorized capital stock from ₱100.00 million divided into 100.00 million redeemable common shares with a par value of ₱1.00 per share to ₱500.00 million divided into 500.00 million redeemable common shares with a par value of ₱1.00 per share. This action was ratified by the stockholders on June 16, 2010. The application for increase in authorized capital stock and the Registration Statement was approved by the SEC on November 17, 2011 and July 02, 2012, respectively.

On March 14, 2012, the BOD approved the increase of capital stock from ₱500.00 million divided into 500.00 million redeemable common shares with a par value of ₱1.00 per share to ₱1.00 billion divided into 1.00 billion redeemable common shares with a par value of ₱1.00 per share. This action was ratified by the stockholders on August 04, 2012. The application for increase in authorized capital stock was approved by the SEC on April 12, 2013.

On February 25, 2013, the BOD approved the increase in the authorized capital of the Fund from ₱1.00 billion divided into 1.00 billion redeemable common shares with a par value of ₱1.00 per share to ₱2.00 billion divided into 2.00 billion redeemable common shares with a par value of ₱1.00 per share. The BOD also adopted a resolution that the increase in the authorized capital stock of ₱1.00 billion be made in tranches. The authorized capital stock will be initially increased by ₱500.00 million while the succeeding increase will be executed upon determination and approval of the BOD. The authority of the BOD to increase the authorized capital stock is limited to ₱2.00 billion. As of June 30, 2014, the Fund has yet to file an application for the increase in authorized capital stock with the SEC.

As of June 30, 2014 and December 31, 2013, the total number of holders of redeemable common shares is 6,520 and 6,247, respectively.

On February 13, 2013, the Fund requested for an exemptive relief from the requirements of SEC Financial Reporting Bulletin (FRB) No. 6 by allowing the Fund to treat its deposits for future share subscriptions as equity and to include the same in the computation of the NAV per share. In its meeting on March 18, 2013, the SEC resolved to approve the request of the Fund and on April 12, 2013, the increase in authorized capital stock of the Fund was approved by the SEC.

In 2013, deposits for future shares subscriptions amounting to ₱1.44 billion, equivalent to 499.36 million shares, was reclassified by the Fund to issued and outstanding capital stock.

The Fund's capital is represented by redeemable shares. The shares are entitled to dividends when declared and to payment of a proportionate share of the Fund's NAV on the redemption date or upon winding up of the Fund.

The total expected cash outflow on redemption of all the shares equals the Fund's equity. For the purpose of calculating the NAV per share attributable to the holders of redeemable shares, the Fund's listed equity securities classified as AFS investments and held for trading are valued on the basis of closing prices and Philippine Dealing System Transaction - R2 (PDST - R2), respectively.

This valuation is different from the valuation requirement for financial reporting purposes of the Fund which uses the bid price in the determination of fair value.

The reconciliation between the Fund's equity and the NAV per share calculated using closing prices and PDST-R2 follow:

	June 30 2014	December 31 2013	December 31 2012
Total equity calculated under PFRS	₱2,572,404,790	₱2,446,097,662	₱1,577,818,781
Adjustment from bid prices to closing prices and PDST - R2	-	16,178,020	6,660,008
NAV attributable to holders of redeemable shares (a)	2,572,404,790	2,462,275,682	1,584,478,789
Number of redeemable shares* (b)	902,717,797	915,581,236	596,456,634
NAV per share (a/b)	₱2.8496	₱2.6893	₱2.6565

Issuance, repurchase and resale of redeemable shares are based on NAV per share attributable to holders of redeemable shares.

Capital Management

As a result of the ability to issue, repurchase and resell shares, the capital of the Fund can vary depending on the demand for redemptions and subscriptions of the capital stock.

The Fund's objective is to achieve medium-term capital growth through investing in a mix selection of equity investments and debt instruments. The Fund seeks to provide return of current income and a long-term capital appreciation, consistent with the preservation of capital and liquidity by observing regulatory guidelines and applying risk mitigating controls.

All security investments present a risk of loss of capital. The Investment Manager manages this risk through a careful selection of equity investments and debt instruments within specified limits. The Fund's overall market positions are monitored on a daily basis by the Fund's Investment Manager and are reviewed on a quarterly basis by the BOD.

Minimum Capital Requirement

As an investment company registered with the SEC, the Fund must continually comply with the minimum subscribed and paid-up capital of ₱50.00 million. As of June 30, 2014 and December 31, 2013, the Fund has complied with the externally imposed capital requirement.

No changes were made in the objectives, policies and processes from the previous years.

RESULTS OF OPERATION

2014

For the period ended June 30, 2014, First Metro Save and Learn Balanced Fund, Inc. posted a net income of P161.4 million as compared to P85 million net income for the same period in 2013 as the local equities market increase during the period.

The highlights of the results of operations for the period ended June 30, 2014 are as follows:

A. Trading gains

	<u>June 30, 2014</u>	<u>March 31, 2013</u>
Realized gains from sale of:		
Financial assets at FVPL	₱164,548,631	₱69,602,206
Changes in fair value:		
Financial assets at FVPL	(642,480)	26,615,210
	₱163,906,151	₱96,217,416

This account represents realized and unrealized gains from sale and changes in fair value of stocks and bonds. During the period, this account increased by 70.35% or P67.69 million from P96.22 million to P163.91 million this year mainly due to the volatility in the market value and trading of securities.

B. Dividend income

Dividend income increased by 179.22% or ₱25.03 million from ₱13.96 million to ₱38.99 million this year mainly due to the higher cash dividend declaration happened during the year.

C. Interest income

This account consists of interest income from AFS investments, loans and receivables, financial assets at FVPL and cash and cash equivalents held by the Fund. The increase of 91.66% or P7.43 million from P8.11 million to P15.55 million this year was mainly due to the increases in AFS investments, FVPL investments and Loans and Receivables.

D. Operating Expenses

Total operating expenses include management fees paid to FAMI, directors' fees, transaction charges and professional fees. The 102.43% or ₱27.09 million increase is mainly attributed to the rise in management fees relative to the increase in the net asset value of the Fund.

E. Earnings Per Share

Earnings per share is determined by dividing the net income for the period by the weighted average number of common shares issued and outstanding during the period, computed as follows:

	June 30, 2014	June 30, 2013
Net investment income (a)	₱161,368,364	₱85,039,708
Weighted average number of shares outstanding (b)	912,352,845	774,021,662
Earnings per share (a/b)	₱0.1769	₱0.1099

2013

The highlights of the results of operations for the year ended December 31, 2013 are as follows:

- Trading and securities gains (losses) which contributed P40.1 million to the total loss generated by the fund for the period, is comprised of realized gain of P112.9 million from sale of held-for-trading (HFT) securities, P2.8 million from sale of available-for-sale (AFS) investment and unrealized loss on marking-to-market of P155.7 million on HFT securities.
- Dividend income amounting to P29.6 million came primarily from the cash dividend received from PSB shares of P6.6 million, TEL shares of P3.8 million, MER shares of P 3.0 million, SMC2C shares of P1.2 million, SCC shares of P1.1 million, BDO shares of P1.1 million, and SM shares of P 1.0 million, among others.
- Interest Income went up by 25.0% or P4.2 million from last years' P16.7 million due to the increase in placements in corporate bonds.
- Operating Expenses significantly increase by 138.6% or ₱48.0 million from last year's ₱34.6 million due to the increase in taxes and licenses, broker's commission, management and retainer's fees, miscellaneous and custodian and clearing fees.
- Provision for income tax moved proportionately with interest income as it represents the 20% final tax on the interest earned from time deposit placements, government securities and bank deposits.

2012

The highlights of the results of operations for the year ended December 31, 2012 are as follows:

- Trading gain for the period of P269.2 million is comprised of the unrealized loss on marking-to-market of P149.4 million and the realized gains of P119.8 million. The increase is largely due to incline in prices of outstanding stock investments and rise in sales transactions resulting in gains;

- Dividend income increased by P3.5 million or 39.5% from last year's P8.9 million to P12.4 million at the end of 2012 due to rise in stock investments during the year ;
- Interest income of P16.7 million was earned from cash and cash equivalents (P2.0 million), loans receivables (P4.1 million) and government securities (P10.6 million). The growth was mainly due to the additional investment in government securities, bonds and time deposits;
- Operating expenses rose by ₱13.2 million or 61.9% from ₱21.4 in 2011 to ₱34.6 in 2012 mainly due to the increase in management fees relative to the growth in the Fund's net assets and the increase in brokers' commission relative to the rise in investment in stocks transactions.

DISCUSSION OF KEY PERFORMANCE INDICATORS

SALBF, incorporated on January 29, 2007, has grown tremendously during the six years of its existence. Its investment objective is to seek long-term capital appreciation by investing primarily in carefully selected listed and non-listed equity securities.

The Fund has appointed FAMI to serve as its Investment Company Adviser, Administrator and Principal Distributor. With the SEC's approval of FAMI's license to act as such last September 6, 2005 and its procedures firmed-up at the end of the same month, active management of SALBF's assets was initiated in May 2007 with the objective to consistently outperform its benchmark, which is the PSEi, and achieve a sizable net income.

The Fund has an initial paid-up capitalization of P25.00 million which translates to a minimal share in the mutual fund industry (under the balanced fund category).

The Fund has identified the following as its key performance indicators:

- Net Asset Value Per Share - Net Asset Value per share of P2.8496 at the end of June 30, 2014, represents a 5.96% gain on investment over a six-month period from the net asset value per share at the start of the year of P2.6893. This is primarily due to the net income earned by the Fund this year.
- Sales for the period ended - The Fund had total sales of P68.97 million for the period ended June 30, 2014 lower by P441.07 million compared to the P510.04 million sales for the same period last year.
- Redemptions for the period ended - The Fund had total redemptions of P95.62 million for the period ended June 30, 2014 lower P108.61 million compared to P204.23 million redemptions for the same period last year.

- Net Income vs. Benchmark – The Fund posted a net income of P161.37 million for this year, 89.76% or P76.33 million higher than last year’s results of P85.04 million.
- Market Share vs. Benchmark – As of June 30, 2014 the Fund garnered 6.81% share in the Balanced Funds category while 1.20% share among all mutual funds in terms of net assets. On the basis of account holders, the Fund has 6,520 account holders or 10.24% of the total accounts in this Fund category.

OTHER INFORMATION

Discussion and analysis of material events and/or uncertainties

The Fund Manager is not aware of any event and/or uncertainties that:

- will have a material impact on liquidity
- will trigger direct or contingent obligation that is material to the Fund including any default or acceleration of obligation
- will have an impact on all material off-balance sheet transactions, arrangement, obligations and other relationships of the Fund
- is a significant element of income or loss that did not arise from the Fund’s continuing operations.

FINANCIAL SOUNDNESS INDICATORS

AS OF JUNE 30, 2014

Performance Indicators	As of		
	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)	December 31, 2013 (Audited)
Current Ratio ^{1/}	7,616.63%	1,777.76%	5,708.56%
Acid Test Ratio ^{2/}	7,612.23%	1,777.70%	5,706.30%
Debt-to-equity ratio ^{3/}	1.00%	4.90%	1.33%
Asset-to-equity ratio ^{4/}	101.00%	104.90%	101.33%
Interest Rate Coverage Ratio ^{5/}	n.a.	n.a.	n.a.
Profitability ratios:			
Return on assets ^{6/}	12.71%	8.09%	(3.75%)
Return on Equity ^{7/}	12.86%	8.40%	(3.81%)

^{1/} Current Assets divided by Current Liabilities

^{2/} Quick Assets (Cash and cash equivalents and Financial assets at FVPL securities) divided by Current Liabilities

^{3/} Total Liabilities divided by Total Equity

^{4/} Total Assets divided by Total Equity

^{5/} Earnings Before Interest and Tax divided by Interest Expense

^{6/} Net Investment Income divided by Average Total Assets

^{7/} Net Investment Income divided by Average Total Equity

EXHIBITS AND SCHEDULES

Exhibit No.	Description of Exhibit
1	2013 Audited financial statements
2	SEC 17 Q – June 30, 2014

Directors and Officers of the Fund

As of the date of this prospectus, the Board of Directors and the officers of the Fund are as follows:

DIRECTORS

- **Bro. Manuel V. de Leon**, FMS - 56 years old, Filipino. Term of office is one year. Bro. De Leon has been serving as a member of the Board of Director since 2005 and elected as Chairman of the Board on March 22, 2011. Bro. de leon is also the Chairman of First Metro Save & Learn Fixed Income Fund, Inc., First Metro Save and Learn Dollar Bond Fund, Inc. and First Metro Save and Learn Global Opportunity Fund, Inc. He also director for First Metro Asset Management, Inc. (since 2005); President, Notre Dame of Kidapawan College. He is the Provincial Superior of Marist Brothers of the Schools - East Asia Province (from 2003 to present). He is the Founding President of SAGIP KA 2000 Foundation, Inc. (2000-present). He is Chairman of the Board of Notre Dame of Dadiangas University (2007-present), Notre Dame of Kidapawan College (2003-present), Notre Dame of Marbel University (1990-present). He was an awardee of the Ten Outstanding Young Men (TOYM) in 1992. He has masteral and doctorate degrees in Education from University of the Philippines.
- **Mr. Hector C. De Leon** – 51 years old, Filipino. President since June 2011. Mr. De Leon is also the President of First Metro Global Opportunity Fund, Inc. (since 2010), First Metro Save and Learn Fixed Income Fund, Inc. (since June 2011), First Metro Save and Learn Balanced Fund, Inc. (since June 2011) and First Metro Save and Learn Dollar Fund, Inc. (since June 2011) He is currently the Executive Vice President of First Metro Asset Management, Inc., a position he has held since August of 2007. He was formerly the EVP and Head of Sales and Marketing for Philequity Management, Inc. (2006 to 2007). Before joining Philequity, he served as FVP for Capital Markets of Philam Asset Management Inc. (1996 to 2006) where he was instrumental in setting up and operating most of the company's mutual funds. He was former Chairman of the Board of Trustees of the Investment Company Association of the Philippines from 2005 to 2006. Mr. de Leon has a Bachelors Degree in Electronics and Communications Engineering from De La Salle University and took up Masters in Business Administration (MBA) at the Ateneo Graduate School of Business.
- **Victor A. Abola**- 70 years old, Filipino, Term of office is one year. Dr. Abola has been serving as Independent Director since 2010. He is also an Independent Director of First Metro Save & Learn Fixed Income Fund, Inc. (since 2010), First

Metro Save & Learn Balanced Fund, Inc. (since 2010), First Metro Save & Learn Dollar Bond Fund, Inc. (since 2010), First Metro Global Opportunity Fund, Inc. (since 2010) and First Metro Securities Brokerage Corp. (since 2010). He is the Program Director of the Strategic Business Economics Program (SBEP) of the University of Asia and the Pacific. (2007-present) and the Executive Director of the UA&P-FMIC Capital Market Research Center. He was the Chief of Party of the Fiscal Policy Analysis Activity of the Department of Finance (1998-2001). He has a doctorate degree in Development Management from the University of Asia and the Pacific, where he also received his M.S. in Industrial Economics. After obtaining his Bachelor of Arts and Bachelor of Science in Commerce (major in Accounting) from the De La Salle University, he obtained his C.P.A. certificate. He has authored numerous articles that have appeared in local and foreign newspapers and periodicals, and UA&P's research publications. He co-authored with Dr. Bernardo M. Villegas the textbooks, Economics An Introduction (now in its 6th edition) and Basic Economics (2nd ed. 2010). He is the author of the text/reference book Money, Banking and Finance (2006).

- **Sr. Lioba M. Tiamson**, OSB - 88 years old, Filipino. Term of office is one year and has served as Independent director since 2008. She is also an Independent Director of First Metro Save & Learn Equity Fund, Inc. (from March 2008 to present) and First Metro Save and Learn Dollar Bond Fund, Inc. (since November 2008 to present). Currently, Treasurer of Educational Capital Corporation and Director of Concorde Condominium Inc. (2007-present), Board member, St. Scholastica's Priory Fund Management; member, CEAP Commission (2003-present), member, CEAP Retirement Plan Board Commission. (2003 to present).

Sr. Lioba, OSB obtained her Bachelor of Science degree in Commerce from University of Santo Tomas and St. Scholastica's College and a Master's degree in Business Management from De La Salle University. She attended trainings at the Western Association of College and University Business Officers at Stanford University, USA.

- **Bernadette M. Nepomuceno**, 62 years old. Filipino. Independent Director. Term of Office is one year. Ms. Nepomuceno is also an Independent Director for First Metro Save & Learn Fixed Income Fund, Inc. (since August 2012), First Metro Save & Learn Balanced Fund, Inc. (since August 2012), First Metro Save & Learn Dollar Bond Fund, Inc. (since August 2012) and First Metro Global Opportunity Fund, Inc. (since August 2012). Ms. Nepomuceno is the President of Private Education Retirement Annuity Association (PERAA)(from 2007-present). Among her past positions during the last five years, She was President of Holy Angel University (1994-August 2006); Board of Directors, Philippine Association of Colleges and Universities (1995-2006); Board of Directors, Coordinating Council of Private Education Association (2003-2006), among her other affiliations, includes: President, Sophia (Association of Women Presidents/Chancellors of Private Colleges & Universities, Inc.); Member, Technical Working Group on Management Development Program; CHED, Member, Ethics Committee, Lung Center of the Philippines; Board of Trustees, Private Education Retirement Annuity Association, Accreditor, Philippine Accrediting Association of Schools, Colleges and Universities (PAASCU), Founding member, Friends of Jung. She is also a Psychotherapist, in a Private Practice (2001-present). Ms. Nepomuceno has a Bachelor of Arts degree in

Psychology from University of the Philippines (1972), She also has a Masters of Psychology, major in Social Psychology, Ateneo de Manila University (1998) (cand.). She took up Hypnotherapy, Psychology of Carl Jung.

EXECUTIVE OFFICERS

- **Mr. Hector C. De Leon** – 51 years old, Filipino. President since June 2011. Mr. De Leon is also the President of First Metro Global Opportunity Fund, Inc. (since 2010), First Metro Save and Learn Fixed Income Fund, Inc. (since June 2011), First Metro Save and Learn Balanced Fund, Inc. (since June 2011) and First Metro Save and Learn Dollar Bond Fund, Inc. (since June 2011) He is currently the Executive Vice President of First Metro Asset Management, Inc., a position he has held since August of 2007. He was formerly the EVP and Head of Sales and Marketing for Philequity Management, Inc. (2006 to 2007). Before joining Philequity, he served as FVP for Capital Markets of Philam Asset Management Inc. (1996 to 2006) where he was instrumental in setting up and operating most of the company’s mutual funds. He was former Chairman of the Board of Trustees of the Investment Company Association of the Philippines from 2005 to 2006. Mr. de Leon has a Bachelors Degree in Electronics and Communications Engineering from De La Salle University and took up Masters in Business Administration (MBA) at the Ateneo Graduate School of Business.
- **Atty. Nimfa B. Pastrana** - 52 years old, Filipino, Corporate Secretary. Term of office is one year and has served as such since 2005. She is the First Vice President and Asst. Corporate Secretary of First Metro Investment Corporation. She is also the Corporate Secretary of First Metro Save & Learn Fixed Income Fund, Inc., (from May 2005 to present) First Metro Save & Learn Dollar Bond Fund, Inc. (from 2008 to present) First Metro Global Opportunity Fund, Inc. (from 2010 to present), First Metro Securities Brokerage Corporation (2004 to present), PBC Capital Investment Corporation (2004 to present), Prima Ventures Development Corporation and First Metro Asset Management Inc. She graduated from the University of the Philippines with a degree A.B. Philosophy and from San Beda College with a Bachelor of Laws degree.
- **Mr. Jonathan T. Tabac** - 60 years old, Filipino, Compliance Officer. Term of office is one year and has served as such since 2005. He is also the Compliance Officer of First Metro Investment Corporation, First Metro Securities Brokerage Corporation, First Metro Save & Learn Fixed Income Fund, First Metro Save & Learn Equity Fund, and First Metro Asset Management, Inc (from May 2005 to present). He was AVP & Compliance Officer of Citystate Savings Bank (2002-2003), Vice President of Maybank Philippines (formerly PNB Republic Planters Bank)-1997-2001 and Chairman of the Board of RPB Provident Fund, Inc.(1997-2001) Mr. Tabac finished BSC-Accounting from University of Baguio and MBA units from the University of Santo Tomas. He is a Certified Public Accountant.
- **Ms. Marie Arabella D. Veron** – 53 years old, Filipino, Treasurer. Term of office is one year and has served as such since 2005. She is the Controller and First Vice President of First Metro Investment Corporation, Treasurer/Director of SBC Properties, Inc. (2003-present), Treasurer of First Metro Save & Learn Dollar Bond Fund, Inc., First Metro Global Opportunity Fund, Inc., First Metro Save & Learn Fixed Income Fund, First Metro Save & Learn Equity Fund, First Metro Asset Management, Inc. (from May 2005 to present), Treasurer of PBC

Capital Investment Corporation (2006-present). She was a manager of MBTC Domestic Subsidiaries, a Senior Auditor of Joaquin Cunanan & Co./Price Waterhouse (1980-1985) and of Philippine International Trading Corporation (1985-1990). Ms. Veron finished her Bachelor of Science Degree in Business Administration, major in Accounting from University of the East. She is a Certified Public Accountant and a Certified Management Accountant.

- **Dr. Edwin B. Valeroso** - 50 years old, Filipino, Asst. Treasurer. Term of office is one year. He is First Vice President of First Metro Asset Management, Inc. He was the President of First Metro Save & Learn Balanced Fund (Jan 2007 to June 2011), First Metro Save & Learn Fixed Income Fund and First Metro Save & Learn Equity Fund (from May 2005 to June 2011), and President of First Metro Save and Learn Money Market Fund, Inc. (2008 to 2011). He is Vice President/Trustee/Corporate Secretary of Philippine Investment Funds Association, Inc. (2006-present) and an Associate Professorial Guest Lecturer at De La Salle University-Graduate School of Business (2000-2009). He was a Mutual Fund Strategist/Consultant at First Metro Investment Corp. (2004-2005). Mr. Valeroso has a BS Actuarial Mathematics degree from University of Santo Tomas, a Master's degree in Applied Mathematics from University of the Philippines, and a Doctor of Business Administration degree from De La Salle University-Manila. He is also an alumnus of the Trust Institute Foundation of the Philippines.
- **Rey D.C. Erlano** – 52 years old, Filipino. He is currently the Assistant Treasurer of First Metro Save and Learn Equity Fund, First Metro Save & Learn Fixed Income Fund, First Metro Save and Learn Balanced Fund, First Metro Save and Learn Global Opportunity Fund and Vice President of First Metro Asset Management, Inc. He is an Assistant Treasurer for One Wealthy Nation, Inc. He was Product Manager of Diversified Holdings, Inc. (1989-1993), Marketing Manager of Praise Music, Inc. (1996-2001), Managing Partner of New York Life Philippines (2002-2005), Business Development Director/Manager of Generali Pilipinas Insurance Company (2005-2008) and Assistant Vice President – Agency Director of Manulife Philippines (2008-2014). He has a Bachelor of Science Degree in Mechanical Engineering from the University of the Philippines.

Significant Employee

There is no significant employee who is expected by the registrant to make a significant contribution to the business.

Family Relationship

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers or persons nominated or chosen by the Registrant to become directors or executive officers.

Executive Compensation

Compensation of Directors and Officers

	Per Diem		
	2013	2012	2011
Directors	201,765	180,000	170,000
Executive Officers	42,000	27,000	37,000
Aggregate Annual Per Diem	243,765	207,000	207,000

The members of the Board of Directors Fund shall receive per diem for their attendance in regular or special meetings of the Board in the amount of P10,000 per Director for every actual meeting attended. The total amount of per diem for the year 2013 is P243,765 and the estimated per diem for the year 2014 is P282,000.

There is no employment contract between the Registrant and a named executive officer. There is no compensatory plan or arrangement, including payments to be received from the Registrant, with respect to a named executive officer in the event of resignation, retirement or any other termination of such officer's employment with the Registrant and its subsidiaries.

Legal Proceedings

The Registrant has no material pending legal proceedings to which it is a party. None of the Board of Directors and its Executive Officers is:

- involved in any legal proceeding the past five (5) years that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter, or control person of the Registrant;
- involved in any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
- involved in or convicted by final judgment in any criminal proceeding, domestic or foreign, or subject to a pending criminal proceeding, foreign or domestic, excluding traffic violations and other minor offenses;
- subject to any order, judgment, or decree not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- found by a domestic or foreign court of competent jurisdiction(in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or organized trading market or self-regulatory organization, to have

violated a securities or commodities law or regulation and the said judgment has not been reversed, suspended or vacated.

Security Ownership of Certain Record and Beneficial Owners

The security ownership of certain record and beneficial owners as of June 30, 2014 of this prospectus are as follows:

Title of Class	Name and Address of Owner/Relationship to the Issuer	Name of Beneficial Owner	Citizenship	No. of Shares Held	Percent to Outstanding Shares
Common Shares	First Metro Investment Corporation 45th Flr. GT Tower Int'l., Ayala Ave., corner HV Dela Costa St., Makati City	Same	Filipino	132,904,887	14.72%
Common Shares	First Georgetown Ventures, Inc. 5F F&M Building, 109 C. Palanca St. Legaspi Village 1229, Makati City	Same	Filipino	46,951,686	5.20%

^{1/} FMIC, is the registered owner of the shares in the books of the Company. The Board of Directors of FMIC has the right to appoint actual person or persons acting individually or jointly to direct the voting or disposition of the shares held by the corporation. The person who will exercise the voting powers over the shares of FMIC is Mr. Francisco C. Sebastian or Mr. Roberto Juanchito T. Dispo or any officers appointed by the Board.

² First Georgetown Ventures, Inc. is a registered owner of shares in the books of the Fund. The person who will exercise the voting powers over the shares of the company is George T. Yang or any officers appointed by the Board.

Security Ownership of Management

The security ownership of management as of June 30, 2014 is as follows:

Title of Class	Name of Beneficial Owners	Amount and Nature of Ownership	Citizenship	Percent to Outstanding Shares
Common shares	Manuel V. De Leon	1	Filipino	0.00%
Common shares	Victor A. Abola	1	Filipino	0.00%
Common shares	Sis. Lioba Tiamson	1	Filipino	0.00%

Common shares	Bernadette M. Nepomuceno	1	Filipino	0.00%
Common shares	Hector C. de Leon	77,770	Filipino	0.01%
Common shares	Nimfa B. Pastrana	825,048	Filipino	0.09%

Certain Relationships and Related Transactions

There are no material transactions with or involving the Fund or any of its subsidiaries in which a director, executive officer, or stockholder owns ten percent (10%) or more of the total outstanding shares, and any member of their immediate family had or is to have a direct or indirect material interest.

There are no transactions during the last two (2) years or proposed transactions, to which the Registrant was or is to be a party in which any of the Fund's directors, executive officers or stockholders had or is to have a direct or indirect material interest.

There are no transactions by any security holder named in response to Part IV, paragraph C of the Securities Regulation Code.

There are no transactions with promoters and there are no transactions that involve the nature and amount of anything of value (including money, property, contracts, options or rights of any kind) received or to be received by each promoter, directly or indirectly, from the Issuer and the nature and amount of any assets, services or other consideration received or to be received by the Registrant. There are no transactions as to any acquired or to be acquired from a promoter.

Interest of Named Experts and Independent Counsel. Direct or Indirect Interest in Registrant

There are no experts or independent counsels hired on a contingent basis and who received a direct or indirect interest in the Fund.

Compliance with the Investment Company Act

In compliance with the requirements of the R.A. No. 2629, otherwise known as the Investment Company Act of 1960 or ICA, the Fund is organized as a stock corporation. All the members of the Board of Directors of the Fund are Filipino citizens and all shares of its capital stock are common and voting shares. The Articles of Incorporation of the Fund provide for the waiver of pre-emptive rights of stockholders.

Investment Policy

The Fund is an open-end mutual fund designed to provide total returns consisting of current income and long-term capital appreciation through investment in a mix of debt and equity securities.

Investment Guidelines and Restrictions

The company's investment objective is classified as moderate risk. It is a balanced fund which seeks good returns through current income and a long-term capital appreciation by investing in a mix of debt instruments and equity securities. The Fund intends to invest up to 60% of its assets in equities but a minimum of 30% in fixed-income securities. ICA Rule 35-1 provides that an investment company shall

not change its investment objective without prior approval of a majority of its shareholders

For this purpose, the term “equity securities” generally includes common stock, preferred stock and securities convertible into or exchangeable for such equity securities, such as convertible debentures and convertible preferred shares, or shares which carry warrants to purchase such securities.

“Debt Instruments”, on the other hand, consist of Government Securities such as Treasury Bills, Fixed Rate Treasury Notes or FXTNs, Retail Treasury Bonds, Progress Bonds and Small-Denominated Treasury Bonds or SDT Bonds and repurchase agreements involving these instruments. These also include Certificates of Deposits, SEC-registered commercial papers and bonds, Bankers’ acceptances, and other allowed fixed-income instruments both Peso and Dollar denominated.

The assets of the Fund shall be structured based on stock market condition, the level of interest rates, market conditions, and liquidity needs of the Fund, where its investments, denominated in Philippine Pesos or foreign currencies, are to be of above-average credit quality and minimal risk, and the average maturity are to take into account any expectation of any changes in interest rates.

Moreover-

1. The maximum investment of the Fund in any single enterprise shall be limited to ten percent (10%) of the Fund's NAV, except for investments in securities of the Philippine Government or its instrumentalities and, in no case, shall the total investment of the Fund exceed 10% of the outstanding securities of any one investee company;
2. Pursuant to the governing rules and regulations of the SEC, the Fund shall not invest in any of the following: margin purchases of securities; commodity futures contracts; precious metals; unlimited liability investments; short-selling of currencies; short-selling of securities; and, other investments as the SEC shall, from time to time, prescribe;
3. The Fund shall not incur any further debt or borrowing, unless at the time it is incurred or immediately thereafter, there is asset coverage of at least three hundred percent (300%) for all its borrowings. In the event that such asset coverage shall at any time fall below 300%, the Fund shall within three (3) days thereafter, reduce the amount of borrowings to an extent that the asset coverage of such borrowings shall be at least 300%;
4. The Fund shall not participate in an underwriting or selling group in connection with the public distribution of securities, except for its own capital stock;
5. The Fund shall not invest in real estate properties and developments;
6. The Fund shall not invest in any company for the purpose of exercising control or management;
7. The Fund shall not invest in the securities of other investment companies;

8. The Fund shall not purchase from or sell to any of its officers or directors or the officers or directors of its investment adviser/s, manager or distributor/s or firm/s of which any of them are members, any security other than the capital stock of the Fund;
9. The total operational expenses of the Fund shall not exceed ten percent (10%) of its total investment fund or total net worth as shown in the previous year's audited financial statements;
10. The Fund shall focus on industries and enterprises with strong growth potentials or profitable historical financial performance. There may be concentration on certain industries at various points in time, depending on the overall condition of the financial and capital markets;
11. The Fund shall not engage in lending operations without prior approval of the Board of Directors. Such approval shall be limited only to corporations or other entities, public or private, determined to be financially sound by the Board of Directors;
12. The Fund anticipates a gradual turnover in portfolio with the aim of ensuring the preservation of capital and liquidity.

Use of Proceeds

Out of the authorized One Billion (1,000,000,000) shares at a par value of One peso (₱1.00) per share, the number of shares to be offered by the issuer is Five Hundred Million (500,000,000) so that the total number of shares outstanding after the offering would be One Billion (1,000,000,000).

The gross proceeds from the sale of the shares of stock of the fund estimated at ₱1,424,800,000 (500 million) unissued capital stock at ₱2.8496 per share which was the NAVPS as of June 30, 2014 shall be held by the issuer's custodian bank.

The proceeds will be invested in equity and fixed-income securities in accordance with the policies and limitations of this prospectus and other applicable laws.

No material amount of the proceeds is to be used to acquire assets or finance the acquisition of other business. The proceeds will not be used to discharge debt or reimburse any officer, director, employee or shareholder for services rendered, assets previously transferred, money loaned or advanced or otherwise any expenses.

The proceeds derived by the Fund from the sale of its shares including the payments for original subscriptions during incorporation shall be deposited and held by the Fund's Custodian Bank.

Expenses to be deducted from the Gross Proceeds

The following are expenses normally deducted from the gross proceeds of shares sold:

1. Management fees and administration fees in accordance with the Management, Distribution and Administration Agreement between the Fund and the Investment Company Adviser (1.875% p.a. of average net assets).
2. Allowances of independent directors for every shareholders' and board meeting held;
3. Audit and legal fees;
4. Fees of custodian bank;
5. Cost of printing and delivering notices, reports, proxies and other communication material for existing shareholder;
6. Fees of transfer agent (approximately P8,000.00 per month);
7. Taxes, including income taxes, documentary stamp taxes of P1.00 per P200.00 par value and license fees as may be required by law or by the rules and regulations of the SEC.

Plan of Distribution/Distribution method

The Fund has First Metro Asset Management, Inc. (FAMI) as principal distributor of its shares of stock and will not sell or agree to sell any shares of its capital stock except through FAMI. FAMI may set up a marketing network and accredit sub-distributors or agents to sell the shares. Accredited sub-distributors or agents are directly liable to FAMI. Heavy use of print advertisements will be part of the sales and marketing strategy.

The product being sold by the registrant, through FAMI, is its shares of stock, being a mutual fund company. This product was offered to the public starting May 2007. The registrant is a stock corporation which was incorporated on January 29, 2007.

FAMI'S marketing strategy will be based on the strategic partnership of CEAP, Marist and First Metro Investment Corp. FAMI will capitalize on the endorsement of the CEAP in order to educate the teachers on the concept of savings and mutual fund investing. The CEAP membership composed of over 20,000 teachers will be a primary source of retail investors. This competitive advantage will be further strengthened by FMIC's good track record, market experience and credibility, and position as the largest investment bank and backed-up by the largest universal bank in the country.

FAMI will likewise capitalize on its relationships with the companies under the Metrobank Group. The group, with its total employee force of over 14,000 will be an excellent source of retail investors and referrals to high net-worth individuals. The corporations under the group are potential sources of institutional funds that will enable the FAMI mutual funds to attain critical mass at a faster pace.

Competition

The competitive environment for the company's products includes not only the products and services offered by the other Mutual Fund players, but all other investment instruments that the target market has access to. The Philippine mutual fund industry is still a relative young industry compared to those of other countries, however, it is growing at a fast rate.

Currently the big players in this category are BPI, Philam and Sunlife; they capture around 77% of the funds in the balanced fund category of the mutual fund industry. FAMI has around P5 billion in assets under management. Philam and Sunlife have big sales force and they have life insurance companies as affiliates which they also tap to market their mutual funds. They have big multinational financial institutions as their parent companies. They have longer track record and experience not only in the mutual fund industry but also in other financial products and services. The top three competitors substantially capture the local industry's market share.

The Fund will compete with other Balanced Funds which at present are also few. It will target potential clients all over the country with concentration in the major cities. The Fund believes that the competition is in the area of investment performance and client services. It will be competing more in the in terms of investment performance. It will adopt active investment strategies and tactics. It will fully utilize its present network, database, and available technology to its advantage.

The institutional funds of the target market (especially the bigger ones) evidently have access to almost all types of instruments locally available such as common trust funds (now unit investment trusts), pre-need plans, universal life products and other bank products. The retail funds and smaller institutional funds, however, are limited to simple bank products. Appropriately formulated marketing strategies, sales tactics and promotional activities will be employed to present the Fund ultimately close the sale and maintain the account.

Effect of existing governmental regulation

On PAS 39. Mark-to-market method of valuation, assesses both equity and debt instruments based on the current market price of those instruments. Therefore, the interplay of demand and supply of those instruments and other macroeconomic factors, i.e. level of prevailing interest rates, affect their prices. The changes in the prices will be reflected in the valuation of these instruments, hence reflected in the value of the net assets of Fund. The Fund's net asset value per share (NAVPS) is thus affected.

On Labor Concerns. The Registrant has no employees because all aspects of its operations and administration are subcontracted with FAMI, hence it has no risks as far as labor problems are concerned.

The marking-to-market method of valuation assesses both equity and debt instruments based on the current market price of those investment instruments. Therefore, the interplay of demand and supply of those instruments and other macroeconomic factors affect their prices. The changes in the prices of equities will be reflected in the value of the net assets of the Fund. The Fund's net asset value per share (NAVPS) is thus affected by this marking-to-market valuation.

The Fund believes that government regulations are intended to grow the mutual fund industry while protecting the interests of the investing public, thus, it will comply with the regulations imposed or to be imposed by government regulators. Also, the passage of the Personal Equity Retirement Account (PERA) bill into law will benefit the mutual fund industry.

Subscription Procedure

Investments in mutual funds are covered by the Anti-Money Laundering Law. An Investment Application Form and signature cards must be submitted together with the appropriate payment. The issuer or its Principal Distributor reserves the right to accept, reject, or reduce the number of shares applied for in any Investment Application at its discretion in such a manner that it may deem appropriate. An Investment Application, once accepted, shall constitute an agreement between the Investor and the Investment Manager and Principal Distributor at the time, in the manner and subject to the conditions set forth in this Prospectus and the Investment Application Form.

Eligible Investors

The shares of the Fund may be purchased and held by any person of legal age or duly organized and existing corporations, partnerships or corporate entities regardless of nationality. The Articles of Incorporation of the Company provides, however, that no transfer of shares of stock of the Company which would reduce the stock ownership or equity interest of Filipino citizens to less than the percentage required by applicable laws or regulations shall be caused or allowed to be recorded in the proper books of the Fund. The Investor shall declare and warrant that there are no legal restrictions prohibiting the purchase of the shares applied for and that the Investor is otherwise eligible throughout the duration of the period that the Investor remains a stockholder of the Company.

Purchase of the shares of the Fund may be restricted by law in certain jurisdictions. Foreign investors interested in subscribing to the shares should get information on the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile and as to any relevant tax or foreign exchange control laws and regulations affecting them personally.

Requirements for Corporate Applicants

For Investors other than individuals, the following documents, in addition to the Investment Application Form and the signature cards, must be accomplished and shall be considered integral parts thereof: copy of the Investor's SEC Certificate of Registration, Articles of Incorporation and By-Laws; notarized corporate secretary's certificate setting forth the resolutions of the Investor's Board of Directors or equivalent body: authorizing the purchase of the shares of the Fund; designating the signatories for the purpose; and, certifying the percentage of capital stock held by non-Filipinos.

Minimum Investment

The minimum initial investment is FIVE THOUSAND PESOS (Php5,000.00) and subsequent investments shall be for a minimum of ONE THOUSAND PESOS (Php1,000.00).

Offering Price

The net asset value computation shall be made in accordance with the valuation method indicated in the prospectus and shall be applied consistently. Any change in the NAVPS computation or valuation method shall be subject to approval by the Commission. Investment companies shall compute and post their NAVPS on a daily basis and shall publish such daily prices in newspapers of general circulation in the Philippines and shall post them daily in a conspicuous place at the principal office of the investment company as well as all its branches or correspondent offices which are designated redemption centers.

The daily cut-off time for the reckoning of the date of submission of the subscription application shall be 12:00 noon. If the application is received on or before the said cut-off time, the shares shall be valued based on the net asset value (NAV) per share for the same banking day. For applications received after the cut-off time, it shall be deemed to have been received the following banking day. In both instances, a sales load fee shall be charged based on the total price of the application. The NAV per share shall be the computed difference between total assets of the Fund and its total liabilities divided by the number of shares outstanding.

The sale load fees applicable for the various levels of investments are as follows:

Investment Amount	Sales Load
P5,000 to P100,000	2.0%
P100,000 to P500,000	1.5%
P500,000 to P2,000,000	1.0%
P2,000,000 and above	0.5%

Subscriptions must be paid in full upon submission of the application for subscription.

Acceptance of Investment Applications

Applications for the number of shares and the applicable NAV are subject to acceptance and approval by the Principal Distributor. The Principal Distributor reserves the right to reject, scale-down and re-allocate any application for the shares for whatever reason. Applications for which check payments are dishonored upon first presentment, as well as those which do not comply with the requirements set in this Prospectus and Investment Application Form, shall be rejected.

The Principal Distributor shall inform the Investor of such reduction or rejection within three (3) days after submission of the Investment Application.

Payment Terms

Subscriptions shall be paid in full upon submission of a duly accomplished and executed Investment Application Form. Payments must be made in the form of personal or corporate check or cashier's or manager's check, drawn against a bank account with a BSP authorized agent bank located in Metro Manila. All such checks must be made payable to "First Metro Save and Learn Balanced Fund, Inc.," dated as of the date of the Investment Application, and remitted directly to the Principal Distributor at its principal office. A provisional receipt will be issued initially to the Investor. Upon acceptance of the Investment Application by the Principal Distributor, a Confirmation Receipt will be issued to confirm the purchase of the shares of the Fund and to likewise serve as the Investor's Official Receipt.

Refunds

Refunds of payments for any rejected or scaled-down applications shall be made without interest by the Principal Distributor not later than five (5) days after submission. The respective Investor shall receive a check, crossed "Payee's Account Only," mailed and delivered at the Investor's risk to the address specified in the Investment Application Form or to the corresponding distributor or any authorized investment salesmen of the Investor.

Delivery of Stock Certificates

Each stockholder of the Fund is entitled to receive a stock certificate representing ownership of the shares of the Fund. However, an Investor has an option not to request for stock certificates because the legal requirements for replacing lost certificates entail costly and lengthy procedures. Nevertheless, if an Investor still wants to receive a stock certificate, he must indicate so in the Investment Application Form. Stock certificates shall be made available to the Investor as soon as practicable at the office of the Transfer Agent. Any certificate that remains unclaimed for a period of thirty (30) days shall be mailed to the address specified in the Investment Application Form at the risk of the Investor.

Redemption of Shares

Investors in redeemable securities issued by an open-end investment company shall have the right to have their securities redeemed in accordance with the terms of the issue thereof and the procedures indicated in this prospectus. Payments for securities redeemed shall be effected within seven (7) banking days from receipt of the request for redemption, in accordance also to Sec 22(b) of the Investment Company Act. The Commission may, whenever necessary or appropriate in the public interest or for the protection of investors, suspend the redemption of securities of open-end companies. The investment company may establish a network of redemption centers acceptable to the Commission.

The holder of any shares of stock of the Fund, upon its presentation to the Fund in its principal office or to any of its duly authorized representatives of the confirmation receipt or stock certificate, and upon filing of the redemption request form, is entitled to receive by way of redemption approximately his proportionate share of the Company's current net assets or the cash equivalent thereof, i.e. the current NAV per share, subject to the existing laws and By-laws of the Company.

The NAV is then divided by the number of shares outstanding to arrive at the NAV per share.

For securities surrendered for redemption before the daily cut-off time of 12:00 noon, the price at which the Company's securities may be redeemed shall be computed based on the NAV per share on the banking day following the day when such request for redemption is received. Should the request for redemption be received after the said daily cut-off time, it shall be deemed to have been received on the following banking day, and the applicable NAV per share to be used as basis for redemption shall be that which shall be computed for the following banking day when such request for redemption is deemed to have been received.

There shall be no minimum holding period, however, redemption fees shall be deducted out of the redemption proceeds depending on the retention period of the investor as follows:

<u>Retention Period</u>	<u>Fee</u>
Less than 6 months	1.0%
6 months and beyond	nil

Payments for redeemed shares shall be effected within seven (7) banking days from receipt of the request for redemption.

The Fund shall not suspend the right of redemption or postpone the date of payment or satisfaction upon redemption of any redeemable security in accordance with the terms appearing in this Prospectus, for more than seven (7) banking days after the tender of such security to the Corporation, except on the instances prescribed by applicable Philippine laws or regulations.

Benefits to the Investor

Mutual funds make saving and investing simple, accessible, and affordable. They offer professional management, diversification, liquidity, affordability, convenience, and ease of recordkeeping, as well as strict government regulation and full disclosure.

Professional Management

Even under the best of market conditions, it takes an experienced investor to invest prudently, and a further commitment of time to monitor those investments. With mutual funds, experienced professionals manage a portfolio full-time, and decide where to invest based on extensive research.

Diversification at Low Cost

Successful investors know that diversification will reduce the adverse impact of a single investment. Mutual funds provide diversification to your investment portfolio automatically by holding a wide variety of securities at a fraction of the cost of making such investments independently.

Liquidity

Liquidity is the ability to readily access your investment. Mutual fund shares are liquid investments that can be sold on any business day. Mutual funds are required by law to buy, or redeem, shares each business day.

Convenience

You can purchase or sell fund shares directly through a broker, bank or insurance agent, by mail, over the telephone, and increasingly by personal computer. You can also arrange for automatic reinvestment or periodic distribution of the dividends and capital gains paid by the fund. A wide variety of other services can be provided, including monthly or quarterly account statements, tax information, and easy access to fund and account information.

Protecting Investors

Not only are mutual funds subject to exacting internal standards, they are also highly-regulated by the Securities and Exchange Commission which has a direct and indirect impact on the environment where mutual funds operate.

Parties Involved in the Fund

Investment Manager, Fund Administrator, and Principal Distributor

First Metro Asset Management Inc., ("FAMI"), the Investment Manager, Fund Administrator and Principal Distributor of the shares of the Company, was incorporated on April 21, 2005 with an authorized capital stock of Forty Million Pesos (Php40,000,000.00) divided into Four hundred Thousand shares at par value of One Hundred Peso (Php100.00) per share. As the Fund's investment manager, fund administrator and principal distributor, FAMI receives a fee equivalent to 1.875% of the net assets per annum. FAMI also receives the sales load and redemption fees in accordance with the schedule specified in this prospectus. The guidelines for the investment management, fund administration and shares distribution of the Company are set in the Management and Distribution Agreement between the parties.

FAMI is a corporation organized by a group of individuals with a solid track record in management. The following are the members of the Board of Directors:

MR. FRANCISCO C. SEBASTIAN
60, Filipino
CHAIRMAN OF THE BOARD

Prior to his appointment as Chairman of the Board of Directors in April 2011, Mr. Sebastian was the President of First Metro Investment Corporation from 1997 to 2011. His investment banking and financial advisory experience spans over 30 years and covers the Asian region as he was based in Hong Kong for 20 years.

Mr. Sebastian also currently serves as Vice Chairman of Metropolitan Bank and Trust Co. (since 2006), as well as Chairman of Global Business Power Corporation (since 2007), First Metro Asset Management, Inc. (since 2005). Mr. Sebastian served as

Chairman of Federal Land Inc. from 2007 to 2013 and continue as Director up to present.

He completed his collegiate studies at the Ateneo de Manila University, earning a Bachelor of Arts degree in Economics Honors and graduating as Magna Cum Laude.

MR. ROBERTO JUANCHITO T. DISPO
VICE CHAIRMAN
50, Filipino

Mr. Dispo currently serves as President and Director of First Metro Investment Corporation, the investment banking arm of the Metrobank Group. He is also a member of the Advisory Board of Metropolitan Bank & Trust Co.; Chairman of First Metro Securities Brokerage Corporation and PBC Capital Investment Corporation; Vice Chairman of First Metro Asset Management, Inc.; President of Resiliency (SPC), Inc.; and Director of AXA Philippines and Travel Services, Inc.

Prior to joining First Metro in 1998, he held various positions in different government offices, including the Department of National Defense, the Department of Trade and Industry, the Department of Finance and the Central Bank. His last government post was Deputy Treasurer of the Philippines with the rank of Assistant Secretary.

He was responsible for the establishment of the World Association of Debt Management Offices (WADMO) under the auspices of the United Nations Conference on Trade and Development (UNCTAD), Geneva, Switzerland, now with 36 member countries. He was also credited for the operationalization of the Registry of Scripless Securities (RoSS) of the Philippine Treasury. He is also listed in the Roster of World Experts in Debt Management by the United Nations Institute for Training and Research (UNITAR) in Geneva, Switzerland.

He was elected as President of the Money Market Association of the Philippines (MART) in 2002, an aggrupation of 76 financial institutions engaged in treasury and money market business. Mr. Dispo is a member of the American Economic Association (AEA).

Mr. Dispo holds BSC Economics and Business Management-MBA degrees from San Sebastian College and the Pamantasan ng Lungsod ng Maynila, respectively. He also completed a Masters in Business Economics from the University of Asia & the Pacific. In addition, he finished a Management Development Program from the Asian Institute of Management and a diploma course in International Banking and Finance from the Economic Institute, University of Colorado.

MR. AUGUSTO M. COSIO, JR.
PRESIDENT
62, Filipino

Mr. Cosio assumed this position in June 2010. He has been a member of the First Metro Investment Corporation (FMIC) Investment committee since 2008. In FMIC he held the position of Vice President since September 2006.

Mr. Cosio has had extensive experience in investments and the capital markets both locally and internationally. He served as consultant to the Mutual Fund Company of the Philippines (Kabuhayan Fund) from 2005 to 2006 and with the GSIS Mutual Fund (Kinabukasan Fund) from 2003 to 2003. He was Vice President at Bank Austria Private Banking in Hong Kong from 2000 to 2001 managing portfolios for private clients. He was previously, President of PNB Securities Inc. (1997 to 2000), a nominee and a member of the board of the Philippine Stock Exchange (1999).

He had been an international capital markets practitioner from 1977 to 1994 having been connected with Banque Nationale de Paris (1977 to 1981) and Banque Paribas (1984 to 1994), the predecessors of the present BNP Paribas. Gus worked in Hong Kong and Singapore for the Paribas capital markets group.

He is also a resource speaker for fixed income courses at the Ateneo Center for Continuing Education and the University of Asia and the Pacific as well as for the PSE Certified Securities Specialist Course. He pursued his course of AB Social science at the University of the Philippines finishing in 1974. He received further training in international capital markets through seminars and courses conducted by BNP and Banque Paribas in London, Paris, Tokyo in New York.

BRO. MANUEL V. DE LEON, FMS
DIRECTOR
55, Filipino

Bro. De Leon has been serving as a member of the Board of Director since 2005. Bro. de leon is also the Chairman of First Metro Save and Learn Equity Fund, Inc., First Metro Save & Learn Fixed Income Fund, Inc. First Metro Save and Learn Balanced Fund, Inc., First Metro Save and Learn Dollar Bond Fund, Inc. and First Metro Save and Learn Global Opportunity Fund, Inc.; President, Notre Dame of Kidapawan College. He is the Founding President of SAGIP KA 2000 Foundation, Inc. Bro. De Leon is a member of the BEDFORD FUND CANADA. He held the following positions: Provincial Superior of Marist Brothers of the Schools - East Asia Province; Chairman of the Board of Notre Dame of Dadiangas University and Notre Dame of Marbel University; Treasurer of Catholic Educational Association of the Philippines. He was an awardee of the Ten Outstanding Young Men (TOYM) in 1992. He has masteral and doctorate degrees in Education from University of the Philippines.

BR. PATERNO S. CORPUS, FMS
DIRECTOR
60, FILIPINO

Bro. Pat Corpus is the Chairman of the Corporations of Marist Schools in the Philippines and the Chairman: BOT, ND Cotabato, Business Resource Center.

Br. Corpus earned his Bachelor of Science in Mathematics/Physics at Notre Dame Mindanao University and obtained his Masteral degree, Major in Theological Studies at the Ateneo de Manila University. He also obtained CIRF – Formation and Counseling at St. Louis U, St. Louis, MO, USA and Educational Management at De la Salle University.

ATTY. ABELARDO V. CORTEZ
INDEPENDENT DIRECTOR
68, FILIPINO

Atty. Cortez was elected as Independent Director on June 18, 2014. Atty. Cortez has over 25 years of banking experience in the local and international banking industry, concentrating on treasury, trust and private banking side of the business. Over this period, he held the following posts: Money Market Head- Rizal Banking Corporation (1978 to 1980); Vice President-Treasury Operations, Bank of the Philippine Island (1980 to 1986); Managing Director and CEO, BPI International Finance Ltd. (Hongkong) from 1987 to 1995; Vice President, Head/Private Banking Group- Bank of the Philippine Island (1995 to 1996); Director for Trust and Investments, ATR KimEng Capital Partners, Inc. (1996 to 2011). He was FINEX President in 2007 and Co-Chairman of the country's Capital Market Development Council in 2008. He is at present director/trustee of FINEX Foundation.

Presently, he sits as Independent Director of PBC Capital Investment Corporation (2012-2013) and First Metro Philippine Equity Exchange Traded Fund, Inc. (since October 2013).

Atty. Cortez earned his Bachelor of Laws degree from San Beda College of Law. He completed his collegiate studies at San Beda College, earning a Bachelor of Arts degree, Cum Laude.

In 2008, San Beda College Alumni Association voted him Most Distinguished Bedan Award in the field of banking and finance.

Atty. Cortez writes a monthly business column in the leading business daily, the Businessworld.

MR. JUSTINO JUAN R. OCAMPO
DIRECTOR
50, Filipino

Mr. Ocampo joined the Board on June 20, 2012. Concurrently, he is the Executive Vice President and Investment Banking Group Head of First Metro Investment Corporation (since 2010). He is also director of SBC Properties Inc. (since 2011) and Prima Venture Development Inc. (since 2012). He started his career in banking at the Far East Bank and Trust Co. in 1985 and later moved on to the Development Bank of the Philippines in 1990, PCIBank in 1992, AB Capital and Investment Corp. in 1996 and ABN Amro Bank N.V., Manila in 1999. In 2010, he joined First Metro investment Corp. as Senior Vice-President and Deputy Group Head of the Investment Banking Group, a position he still presently holds. Mr. Ocampo brings with him over 25 yrs. of banking and investment experience covering a considerable range of banking related areas.

Mr. Ocampo had undergone intensive training abroad in management, finance, capital markets, negotiations and even non-bank related areas such energy and petroleum & petrochemicals during his previous employments.

A product of the University of the Philippines, Diliman, Justino Juan R. Ocampo graduated Cum Laude with a degree in BS Business Administration in 1984.

FR. HERMINIO DAGOHYOY, O.P., Ph.D.
DIRECTOR
49, FILIPINO

Director since February 2014. Fr. Dagohoy is the Rector of the University of Sto. Tomas, member of the Board of Trustees of Aquinas University, Colegio de San Juan de Letran (Intramuros and Calamba), Angelicum College and Angelicum School. He is the President of the Dominican Network of Schools (DOMNET), President of the Association of Catholic Universities of the Philippines (ACUP), Treasurer of the Catholic Educational Association of the Philippines (CEAP), member of PAMI and PhilCare and the Industry-Academe Council of the Philippines.

He held the following positions: Internal Auditor of Colegio de San Juan de Letran, Manila (2004); Dean of the College of Business and Administration and Director of Research and Development of Colegio de San Juan de Letran, Calamba (1996) Director of Caleruega Retreat Center (1997); Rector and President of Angelicum College (2000); Director for Finance and Administration of UST Hospital (2008) and Internal Auditor of UST (2010).

Fr. Dagohoy finished AB Philosophy at the UST Ecclesiastical Faculty of Sacred Theology in 1993; Masters of Arts in Philippines Studies in Philosophy at the University of the Philippines, Diliman, Quezon City in 2000. Licentiate in Philosophy at the UST Ecclesiastical Faculty of Philosophy in 2011; and Doctorate in Philosophy also at UST in 2012.

MR. NILO L. PACHECO, JR.
DIRECTOR
59, Filipino

Director since December 2010. He is the Vice Chancellor for Finance of De La Salle Group (from June 1, 2011 to present). Mr. Pacheco has an Advanced Management Program at the Harvard Business School Boston, Massachusetts, USA and Masters in Business Administration at the University of the Philippines. He finished Bachelor of Arts major in Mathematics from De La Salle University.

Among his other positions are: Director, Sterling Bank of Asia (October 2010-present) and ATR Kim Eng Securities Inc. (February 2010- present). He also held the following positions: President, Export and Industry Bank (April 2007 to May 2009), Executive Vice President for Union Bank of the Philippines (June 2006 to March 2007) and International Exchange Bank (September 1995 to June 2006).

MR. JOSE C. NOGRALES
INDEPENDENT DIRECTOR
65, Filipino

Mr. Nograles was elected to the Board as Directors in June 2011. He was past President and Vice Chairman of the Board of Directors of the Philippine Deposit Insurance Corporation (Jan. 2008 to June 2011). He held various key positions with the Land Bank of the Philippines & Group from 2000 to 2007. Mr. Nograles being

the Vice Chairman/President of the Land Bank Insurance Brokerage Inc. (2000 to 2007), was appointed as Vice Chairman of the Executive Committee (2002 to 2007). He joined the UCPB Board in March 2008 to Jan. 2011 where he appointed as Chairman of the Audit Committee and member of the Executive Committee. He was also the Chairman of the Audit Committee and member of the Executive Council of International Association of Deposit Insurers (Oct. 2008 to May 2011).

He pursued collegiate studies at the Ateneo de Manila University, earning an AB degree in Economics and graduating as Cum Laude. He also completed Master's degree in Business Administration from the Asian Institute of Management and undertook diploma courses- Career Executive Service Officer III ; Fellow, Institute of Corporate Directors.

MS. MARIE ARABELLA D. VERON
DIRECTOR/TREASURER
53, FILIPINO

Ms. Veron was elected to the Board in April 2011. She is the Controller and First Vice President of First Metro Investment Corporation, Treasurer/Director of SBC Properties, Inc. (2003-present), Treasurer of First Metro Save & Learn Money Market Fund, Inc., First Metro Global Opportunity Fund, Inc., First Metro Save & Learn Fixed Income Fund, First Metro Save & Learn Equity Fund, First Metro Save and Learn Balanced Fund, Inc., Treasurer of PBC Capital Investment Corporation (2006-present). She was a manager of MBTC Domestic Subsidiaries, a Senior Auditor of Joaquin Cunanan & Co./Price Waterhouse (1980-1985) and of Philippine International Trading Corporation (1985-1990). Ms. Veron finished her Bachelor of Science Degree in Business Administration, major in Accounting from University of the East. She is a Certified Public Accountant and a Certified Management Accountant.

MR. HECTOR C. DE LEON
EXECUTIVE VICE PRESIDENT
51, FILIPINO

Mr. De Leon is also the President of First Metro Global Opportunity Fund, Inc. (since 2010), First Metro Save and Learn Equity Fund, Inc. (since June 2011) First Metro Save and Learn Fixed Income Fund, Inc. (since June 2011), First Metro Save and Learn Dollar Bond Fund, Inc. (since June 2011) and First Metro Save and Learn Balanced Fund Inc. (2011 to present). He was formerly the EVP and Head of Sales and Marketing for Philequity Management, Inc. (2006 to 2007). Before joining Philequity, he served as FVP for Capital Markets of Philam Asset Management Inc. (1996 to 2006) where he was instrumental in setting up and operating most of the company's mutual funds. He was former Chairman of the Board of Trustees of the Investment Company Association of the Philippines from 2005 to 2006. Mr. de Leon has a Bachelors Degree in Electronics and Communications Engineering from De La Salle University and took up Masters in Business Administration (MBA) at the Ateneo Graduate School of Business.

DR. EDWIN B. VALEROSO
FIRST VICE PRESIDENT
50, Filipino

Dr. Valeroso is the Asst. Treasurer for First Metro Save & Learn Balanced Fund (Jan 2007 to June 2011), First Metro Save & Learn Fixed Income Fund and First Metro Save & Learn Equity Fund (from May 2005 to June 2011), and First Metro Save and Learn Money Market Fund, Inc. (2008 to 2011). He is Vice President/Trustee/Corporate Secretary of Investment Company Association of the Philippines-ICAP (2006-present) and an Associate Professorial Guest Lecturer at De La Salle University-Graduate School of Business (2000-2009). He was appointed Mutual Fund Strategist at First Metro Investment Corporation (2004-2005). Mr. Valeroso has a BS Actuarial Mathematics degree from University of Santo Tomas, a Master's degree in Applied Mathematics from University of the Philippines, and a Doctorate degree in Business Administration from De La Salle University-Manila. He is also an alumnus of the Trust Institute Foundation of the Philippines.

ATTY. NIMFA B. PASTRANA
CORPORATE SECRETARY
52, FILIPINO

Atty. Pastrana is the First Vice President, General Counsel and Asst. Corporate Secretary of First Metro Investment Corporation since 2012 and 2002, respectively. She is also the Corporate Secretary of First Metro Save & Learn Fixed Income Fund, Inc., (from May 2005 to present) First Metro Save & Learn Dollar Bond Fund, Inc. (from 2008 to present) First Metro Global Opportunity Fund, Inc. (from 2010 to present), First Metro Securities Brokerage Corporation (2004 to present), PBC Capital Investment Corporation (2004 to present), Prima Ventures Development Corporation and First Metro Asset Management Inc. She graduated from the University of the Philippines with a degree A.B. Philosophy and from San Beda College with a Bachelor of Laws degree.

MR. JONATHAN T. TABAC
COMPLIANCE OFFICER
59, FILIPINO

Compliance Officer since 2005. Term of office is one year. He is also the Compliance Officer of First Metro Investment Corporation, First Metro Securities Brokerage Corporation, First Metro Save & Learn Fixed Income Fund, First Metro Save & Learn Equity Fund, and First Metro Asset Management, Inc (from May 2005 to present),. He was AVP & Compliance Officer of Citystate Savings Bank (2002-2003), Vice President of Maybank Philippines (formerly PNB Republic Planters Bank)-1997-2001 and Chairman of the Board of RPB Provident Fund, Inc.(1997-2001) Mr. Tabac finished BSC-Accounting from University of Baguio and MBA units from the University of Santo Tomas. He is a Certified Public Accountant.

CORPORATE GOVERNANCE

The Board approved the Fund's Corporate Governance Manual on June 19, 2013 to monitor and assess the level of the Fund's compliance with leading practices on good corporate governance as specified in Philippine SEC Circulars. Aside from establishing specialized committees to aid in complying with the principles of good

corporate governance, the Manual also outlines specific investor's rights and protections and enumerates particular duties expected from the Fund's Board members, officers and employees. It also features a Disclosure System which highlights adherence to the principles of transparency, accountability and fairness. A Compliance Officer is tasked with the formulation of specific measures to determine the level of compliance with the Manual by the Fund's Board members, officers and employees. To date, the Fund has not encountered any deviations from the Manual's standards.

Custodian Bank

The Custodian Bank of the Company is The Hongkong and Shanghai Banking Corporation Ltd (HSBC). The Custodian Bank Agreement covers the custodian bank's duties on receipt of investments, redemption procedures to be used, reports and records to be accomplished by the custodian bank, procedures governing the transfer of the Company's shares and accounts of investors, custody of certificates representing investments made by the fund manager for the Fund and fees of the Custodian bank.

Transfer Agent

Metrobank-Trust Banking Group is the designated Stock and Transfer Agent of the Fund.

External Auditors

The present auditor of FMSALBFI is Sycip, Gorres, Velayo and Company. The reports of said auditors on the financial statements of the company for the years ended December 31, 2013, December 31, 2012 and 2011 contained unqualified opinions.

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosures, auditing scope or procedures, which disagreements, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their respective reports on the financial statements for such years.

The aggregate fees paid for the professional services rendered by SGV & Company for the audit of our Financial Statements for the years 2013 and 2012 is ₱243,765.00 and ₱207,000.00, respectively. SGV & Co. conducted the audit in accordance with auditing standards generally accepted in the Philippines to obtain reasonable assurance about whether the financial statements are free of material misstatements. Their audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation.

There are no tax fees paid for the last 2 years for professional services rendered by SGV & Co. for tax accounting compliance, advice, planning and any other form of tax service.

There are no other fees paid for the last 2 years for products and services provided by SGV & Co. Other than the services mentioned above.

Material Contracts and Agreements

The following is a summary of the material contracts and agreements relating to the Fund:

Management and Distribution Agreement

Under this agreement, First Metro Asset Management, Inc., was appointed as the Investment Manager, Principal Distributor, and Fund Administrator of the Fund. Under the Agreement, the services of FAMI shall include the following:

1. Coordination of the activities of, and extension of all necessary cooperation or assistance to the Fund's Custodian Bank, the Transfer Agent, the auditors, and the legal counsel without prejudice to the direct responsibility of such firms to the Fund;
2. Preparation of such reports, circulars, notices and other information on internal corporate affairs that may be required, from time to time, by the Fund, its stockholders, board of directors, and/or officers, which shall include a monthly report on: a.) Revenues and disbursements broken-down as to investments and expenses; b.) Sales and redemptions; and c.) Performance, change or status of the Fund's assets;
3. Representation with Government offices, instrumentalities and agencies, including all work required in registering the Fund's securities, obtaining proper licenses and permits, complying with other legal requirements including those requirements relevant to FAMI's own operations, and submitting regular reports to various government agencies;
4. Accounting, bookkeeping, clerical and other administrative services in the ordinary conduct of the Fund's activities, other than those services provided by the Custodian Bank, the auditors, and the legal counsel;
5. Provide office space and other administrative facilities;
6. Distribution of the shares of the Fund
7. Investment and reinvestment of the resources of the Fund in accordance with the investment policies and guidelines set by the Fund's board of directors in conformity with the Fund's Prospectus, the Investment Company Act and other applicable laws and regulations;
8. Preparation and submission of such information and data relating to economic conditions, industries, business, corporations, or securities as may be reasonably required by the Fund's Board of Directors or as FAMI may deem to be helpful in formulating and evaluating its investment policies or guidelines;
9. Transactions with stockbrokers for the account of the Fund in connection with the investment and reinvestment of the Fund's assets;

The fees payable to FAMI, is a monthly fee equivalent to one and seven eights percent (1.875%) per annum of the average net asset value of the Fund's assets, computed on a daily basis. The "net asset value" shall be determined by computing the total value of the Fund's assets less its liabilities divided by the number of shares outstanding in accordance with the procedure used in computing the net asset value of the Fund. In addition, as Investment Manager, FAMI shall be paid an incentive fee equivalent to 10% of the realized appreciation in the value of the fund's net assets in excess of the benchmark, earlier defined in this prospectus.

Custodian Bank Agreement

Under the agreement, the Custodian Bank shall receive, safe-keep, record, and account for the proceeds of the sale of the shares of stock of the Fund. The Custodian Bank shall, likewise, hold all the certificates representing the investments made by the Investment Manager in behalf of the Fund in accordance with the regulations of the SEC.

Stock and Transfer Agency Agreement

Under the agreement, the Stock and Transfer Agent shall render the following services:

1. File the reports pertaining to the Fund as may be required by the SEC and other governmental entities
2. Prepare the list of stockholders for all regular or special meetings of the Fund's stockholders;
3. Prepare and mail out all notices, reports, and circulars to all stockholders upon prior request of the Fund, Investment Manager or Administrator;
4. Prepare and mail dividend checks;
5. Prepare and issue stock certificates; and,
2. Register all liens constituted on the shares of stock of the Fund.

Expenses Chargeable to the Fund and the Fund Management

Company

The expenses chargeable to the Fund are:

1. Compensations of the officers and directors of the Fund;
2. Audit and legal fees of the Fund;
3. Brokerage charges and other customary fees in connection with the acquisition, appraisal and disposition of the Fund's assets;
4. Fees of the Custodian Bank to the extent not absorbed by buyers of the Fund's securities;
5. Cost of printing and mailing notices, reports, proxies and other communication material to the Fund's stockholders;
6. Fees of Transfer Agent for the securities to the extent not absorbed by the buyers of the Fund's securities;
7. Taxes, including income taxes, documentary stamp taxes, and license fees, to the extent not absorbed by the buyers of the Fund's securities and as may be required by law or by the rules and regulations of the SEC; and,

8. Investment Management fee, Distribution Fee and Fund Administration fee which are computed in accordance with the Management and Distribution Agreement.

The expenses chargeable to FAMI are:

1. Salaries, bonuses, allowances, and other compensation of the personnel hired by the company to perform the administrative and distribution functions and other services as may be required by law or by the rules and regulations of the SEC;
2. Expenses incurred for the office space and other administrative facilities;
3. Commission fees and other compensation due to agents and dealers in connection with the distribution of the shares of the Fund;
4. Transportation and communication charges in relation to the distribution of the shares;
5. Cost of selling materials such as brochures, sales kits, and cost of printing and distributing the Prospectus; and,
6. Advertising and promotional expenses incurred in connection with the selling of the Fund's shares, including the daily publication of NAV quotations.

Applicable Philippine Laws

Investment Company Act of 1960

The business of investment companies is primarily regulated by the Investment Company Act of 1960 and the SEC rules and regulations governing investment companies. Subject to the exceptions under the law, an investment company is any issuer which is or holds itself out as being engaged primarily, or proposes to engage primarily in the business of investing, reinvesting, or trading in securities. An investment company is either, an open-end company or a closed-end company.

On one hand, an open-end company is an investment company that offers for sale or has outstanding redeemable security, of which it is the issuer. On the other hand, a closed-end company is any investment company other than an open-end company.

To be incorporated as an investment company, the following requirements should be complied with:

1. Minimum subscribed and paid-in capital of Php50,000,000.00;
2. All shares of stock should be common and voting shares. In the case of open-end companies, the articles of incorporation thereof should expressly deny the pre-emptive rights of stockholders;
3. All the members of the board directors must be Filipino citizens.

The Investment Company Act, likewise, requires the registration of the investment company and of the shares of the investment company itself. Likewise, the Investment Company Act requires an investment company to place and maintain its securities and similar investments in the custody of: a duly organized local commercial bank of good repute; or a company that is a member of a securities exchange as defined in the Securities Regulation Code subject to such rules and

regulations of the Securities and Exchange Commission; or such registered company, but only in accordance with such rules and regulations or order as the Commission may from time to time prescribe for the protection of investors.

Dividends

The corporation may pay dividends only out of its unrestricted retained earnings, the unrestricted retained earnings of the corporation that have not been allocated for any managerial, contractual, or legal purposes and that are free for distribution to shareholders. The corporation may satisfy dividends in cash, by the distribution of property, or by the issuance of shares of stock. Dividends satisfied by the issuance of shares may only be paid with the approval of shareholders representing at least two-thirds (2/3) of the outstanding capital stock at a shareholders' meeting specially called for that purpose.

Declaration of dividends is generally discretionary with the board of directors. However, corporations with surplus profits in excess of 100% of their paid-in capital are required to declare and distribute the amount of such excess profits as dividends, except when the retention is justified by: Definite corporate expansion projects, programs approved by the board of directors, or when consent of creditors is required under any loan agreement, or when it can be clearly shown that such retention is necessary under special circumstances.

Rights of Minority Shareholders

The right of a shareholder to institute proceedings on behalf of the corporation in a derivative suit is recognized by Philippine law. Derivative suits may be filed where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrong committed against the corporation or to vindicate corporate rights. Derivative suits involving intra-corporate disputes are filed before the Courts of general jurisdiction of the appropriate Regional Trial Court per Sec 5.2 of the Securities Regulation Code.

Shareholders have the right to inspect the records of the corporation at reasonable hours on business days. These records include minutes of all meetings of the board of directors and of the shareholders, and records of all business transactions of the corporation. However, the right of inspection may be denied if the shareholder seeking to examine the corporate records has improperly used any information secured through any prior examination of corporate records, or was not acting in good faith or with a legitimate purpose in making his demand for inspection.

Management

Corporate powers are exercised, all business conducted, and all properties of a corporation are controlled and held by the board of directors. However, a corporation may enter into a management contract with another corporation, for a period not exceeding five (5) years for any one term, subject to the approval of the board of directors and stockholders owning at least a majority (or in certain instances, two-thirds) of the outstanding capital stock of both the managing and managed corporations. The nature of an investment company's business, however, makes it imperative for the corporation to enter into a management contract with an investment manager/adviser. The Investment Company Act lays down the requirements for such kind of contracts as follows:

1. The contract has been approved by the vote of a majority of the outstanding voting securities of the investment company;
2. The contract precisely described all compensation to be paid thereunder;
3. The contract shall continue in effect for a period of more than two years from the date of its execution, provided that such continuance is specifically approved at least annually by the board of directors or by vote of a majority of the outstanding voting securities of such company;
4. The contract provides in substance that it may be terminated at any time without the payment of any penalty by the board of directors of the company or by vote of two-thirds of the outstanding voting securities of such company or not more than sixty days written notice to the investment adviser; and,
5. The contract provides in substance for the automatic termination in the event of assignment thereof by the investment adviser/manager.

Unless otherwise provided by the Corporation Code, the articles of incorporation or By-laws of the corporation, an act of the majority of the directors present in a meeting with a quorum shall be valid as a corporate act. Certain corporate acts, however, may only be effected with the approval of shareholders representing at least two-thirds (2/3) of the outstanding capital stock at a shareholders' meeting convened for the purpose. Matters requiring such shareholders' approval include, but are not limited to: the amendment of the articles of incorporation; the removal of directors; the sale, lease, exchange, mortgage, pledge, or other disposition of all or a substantial part of the assets of the corporation; and investment of corporate funds in any other corporation, or business, or for any purpose other than primary purpose for which the corporation was organized.

Each member of the board of directors, who must hold at least one (1) share of the corporation, is elected for a one (1) year term during the annual meeting of stockholders of the corporation.

Each share of stock is entitled to one vote during shareholders' meeting. However, in the election of directors, each shareholder is entitled to such number of votes as is equal to the product of the number of shares owned by him and the number of directors to be elected. The shareholder may cumulate his votes in favor of one candidate or distribute these votes in such proportion and amount between or among as many of the candidates as he may think fit. The election of directors may only be held at a meeting convened for that purpose at which shareholders representing a majority of outstanding capital stock are present in person or by proxy. However, any vacancy in the board, other than by removal or expiration of term, may be filled by the majority of the remaining directors if still constituting a quorum.

Accounting and Auditing

Corporations are required to file copies of their annual financial statements with the SEC. Shareholders are entitled to request copies of the most recent financial statements of the corporation which shall include a balance sheet as of the end of the last tax year and profit and loss statement approved at least annually by the board of directors or by vote of a majority of the outstanding voting securities of such company for that year. The board of directors is required to present to shareholders at every annual meeting a financial report of the operations of the corporation for the preceding year. This report is required to include audited financial statements.

Taxation

1. Corporate income tax on taxable income derived from all sources within and without the Philippines is 30% effective January 2009;
2. Final withholding tax of 20% on gross interest from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements;
3. Final withholding tax on sale of shares listed and traded through the Exchange of 1/2 of 1% of gross selling price;
4. Tax on net capital gain of sale of shares not traded through the Exchange: not over ₱100,000.00 - 5% and amount in excess of ₱100,000.00 - 10%;
5. Documentary stamps tax at the rate of ₱1.00 per ₱200.00 (or fractional part thereof) of par value on original issuance of shares by the Fund.

Shareholder

1. Tax on dividends received from the Fund by: domestic corporations and resident foreign corporation: None; individual citizen and individual resident alien: 10%
2. Documentary stamps tax of ₱0.75 per ₱200.00 (or fractional part thereof) of par value on subsequent sale or transfer of shares by the Shareholder.
3. Tax on gains realized by the investor upon redemption of shares in a mutual fund company: None.
4. Tax on net capital gains on sale of shares not traded through the Exchange: Not over ₱100,000.00: 5%; and amount in excess of ₱100,000.00: 10%.
5. Tax on dividends received from domestic corporations: None.
6. Documentary stamps tax at the rate of ₱1.00 per ₱200.00 (or fractional part thereof) of par value on original issuance of shares by the Fund.