

FINAL PROSPECTUS

RELATING TO THE PUBLIC OFFER OF

1,700,000,000 Shares
COMMON STOCK

First Metro Save & Learn Fixed-Income Fund, Inc.
AN OPEN-END INVESTMENT COMPANY
ISSUER

The number of securities that was previously offered inclusive of what had already been subscribed to upon incorporation is One Billion Seven Hundred Million (1,700,000,000) shares. The offer price for the additional Seven Hundred Million (700,000,000) shares will be based on the NAV per share computed on a daily basis. The shares to be offered are unlisted and will be traded through the over-the-counter market.

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

THIS FINAL PROSPECTUS IS DATED
13 AUGUST 2014

The number of shares to be offered, inclusive of what has already been subscribed to upon incorporation is One Billion Seven Hundred Million (1,700,000,000) shares. Three Hundred Million (300,000,000) shares have been subscribed based on the prevailing net asset value per share. On May 18, 2012, the Securities and Exchange Commission (SEC) approved the amendment to the Articles of Incorporation of First Metro Save and Fixed Income Fund, Inc., increasing its authorized capital stock from Three Hundred Million (300,000,000) to One Billion (1,000,000,000) common shares. Said amendment was approved by the Board of Directors on March 10, 2008 and ratified by the stockholders on June 18, 2008.

On March 14, 2012 and August 4, 2012, the BOD and Stockholders respectively, approved the increase in authorized capital stock of the Fund from P1.00 billion, divided into 1,000,000,000 redeemable common shares with par value of P1.00 per share to P1.70 billion, divided into 1,700,000,000 redeemable common shares with par value of P1.00 per share.

There is a pending application for increase in authorized capital stock which was filed by the Fund with the SEC on February 12, 2013. The Fund is in the process of completing the required documents.

During the meeting held on February 25, 2013, the BOD approved the increase in authorized capital stock from ₱1.70 billion to ₱4.00 billion. The BOD also adopted the resolution that the increase in authorized capital stock of P2.30 billion be made in tranches. The authorized capital stock will be initially increased by P1.00 billion while 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 P4.00 billion.

The price at which the Seven Hundred Million (700,000,000) shares are to be offered is based on the NAV per share computed on a daily basis plus a front end sales load fee. Using the Net Asset Value per share of 2.1582 as of April 30, 2014 for the 700 million shares, the total estimated gross proceeds to be raised by the offering is P1,510,740,000.00. The gross proceeds from the sale of the shares of stock of the registrant shall be held by the Issuer's Custodian Bank which is The Hong Kong and Shanghai Banking Corporation. The shares to be offered are unlisted and will be traded through the over-the-counter market.

The proceeds from the offering will be primarily invested in government securities, SEC-registered commercial papers, among other debt instruments. The assets of the Fund shall be structured based on 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.

Risks of Investing-Summary

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 the redemption price of redeemed shares may be less than the price 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 Company has exposures to credit risk, liquidity risk, market risk from the use of financial

instruments, and fair value interest rate risk. More details on these risk factors are found in this prospectus under the heading "Risks of Investing".

The Issuer is a domestic corporation, incorporated on June 3, 2005 as First Metro Save & Learn Fixed-Income Fund, Inc. (the "Fund"), with principal business office address at 18th Floor, PS Bank Tower, 777 Paseo de Roxas corner Seden St., Makati City, Philippines, and Telephone Numbers: (632) 8912860 to 65; Fax No.(632)8160467.

It was registered on September 5, 2005 with the Securities and Exchange Commission as an Open-End Investment Company or "mutual fund". It 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 related to the net asset value of the Fund's portfolio.

While the Fund aims to provide a high level of current income that is consistent with the preservation of capital and liquidity, 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 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 Fund intends to invest the proceeds from the sale of its shares in different fixed income instruments. The Fund's investments shall be guided by guidelines and restrictions under the heading "Investment Guidelines and Restrictions".

The total fee payable to First Metro Asset Management, Inc. (FAMI) as compensation for its management services and provision of facilities is a monthly fee equivalent to one-and-three-fourths percent (1.75%) 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 in accordance with the procedure used in computing the net asset value of each share of the Fund. Depending on its performance as the Investment Manager, FAMI shall also be paid an incentive fee equivalent to one-tenth (1/10) of the realized appreciation in value of the Fund's net assets in excess of the "hurdle rate" defined as: 5-year PDSTF 5 plus 1%.

FAMI will also receive from the Fund a sales load fee based on the following schedule:

Investment Amount (in Php)	Sales Load
5,000 to less than 100,000	2.0%
100,000 to less than 500,000	1.5%

500,001 to less than 2,000,000	1.0%
2,000,000 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.

No dealer, selling agent and any other person has been authorized to give information or make any representation not contained in this Prospectus. This Prospectus does not constitute an offer to sell or a solicitation of an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction or to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The delivery of this Prospectus at any time does not imply that the information herein contained is correct as of any time subsequent to this date.

The information contained in this Prospectus has been supplied by First Metro Save & Learn Fixed-Income Fund unless otherwise stated. First Metro Save & Learn Fixed-Income Fund accepts full responsibility for the accuracy of the information given herein, and confirms that there are no omissions of fact that would make any statement in this Prospectus misleading. First Metro Asset Management, Inc., the Fund Administrator of First Metro Save & Learn Fixed-Income Fund, has exerted reasonable efforts to verify the information herein and does not make any representations or warranties as to the accuracy or completeness of the materials contained herein.

First Metro Save & Learn Fixed-Income Fund has filed Registration Statements with the Securities and Exchange Commission in accordance with the Investment Company Act and the Securities Regulation Code. The SEC has issued on September 5, 2005 an Order rendering effective the Registration Statement of the Company covering all of the common shares of the authorized capital stock and a Certificate of Permit to offer these securities for sale.

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 March 31, 2014	As of December 31	
		2013	2012
Total Assets	Php3,360,785,240	Php3,422,267,931	Php1,929,781,873
Total Liabilities	122,700,073	59,218,087	15,416,135
Net Assets	Php3,238,085,167	Php3,363,049,844	Php1,914,365,738
Net Asset Value per Share (NAVPS)	Php2.1572	Php2.2031	Php1.8549

STATEMENTS OF OPERATIONS

	For the Period Ended March 31, 2014	For the Year Ended December 31	
		2013	2012
Trading and Securities Gain	(Php55,777,735)	Php200,175,581	Php165,678,941
Interest Income	37,063,492	116,489,764	60,005,863
Other Income	-	389,813	1,393,862
Gross Income	(18,714,243)	317,055,158	227,078,666
Less: Expenses	16,309,061	119,178,928	50,755,369
Net Income Before Tax	(35,023,304)	197,876,230	176,323,297
Provision for Income Tax	7,209,372	20,110,097	10,060,443
Net Income	(Php42,232,676)	Php177,766,133	Php166,262,854

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

	For the Period Ended 31-Mar-14 (Unaudited)		For the Year Ended 31-Dec-13 (Audited)	
	Amount	%	Amount	%
Realized Trading Gain	(Php55,777,735)	300%	Php200,175,581	63%
Interest Income	37,063,492	200%	116,489,764	36%

Miscellaneous income	389,813	1%
(Php18,714,243)		Php317,055,158

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RISK DISCLOSURE STATEMENT***General Risk Warning***

1. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, 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.
2. Past performance is not a guide to future performance.
3. 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.
4. An investor deals in a range of investments each of which may carry a different level of risk.

Prudence Required

This risk disclosure does not purport to disclose all the risks and other significant aspects of investing in those 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 risks

PROSPECTUS SUMMARY

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

Issuer

First Metro Save & Learn Fixed-Income Fund, Inc.

Investment Objective

The investment objective of the Fund is categorized under the SEC rules governing investment companies as conservative or low-risk. The Fund seeks to provide as high a level of current income as is consistent with the preservation

of capital and liquidity. The valuation method to be used to value the investments shall be mark-to-market consistent with Philippine Accounting Standards (PAS) 39. Mark-to-market valuation, assesses debt instruments on the current market price for that particular instrument so that any profit or loss is reflected immediately and the fund assets start the next day with a net position.

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***

Investment Amount (in Php)	Sales Load
5,000 to less than 100,000	2.0%
100,000 to less than 500,000	1.5%
500,000 to less than 2,000,000	1.0%
2,000,000 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

The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund's financial performance.

The following are the risks factors that affect the performance of the Fund in the order of importance:

Market Risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Fund's market risk policy restricts the amount of investment in any single enterprise to 10% of the Fund's NAV, except for government securities. Conversely, the total investment of the Fund in any one investee company must not exceed 10% of the outstanding securities.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Fund invests in government securities wherein the risk of default is considered minimal. Also, management policies include not engaging in lending operations without prior review and approval of its Board of Directors. Another policy of the Fund directed at managing credit risk is that all sales of the Fund's capital stock shall be on cash basis only. Installment sales are prohibited.

Credit risk exposure is limited to the carrying amount of the financial assets referred to above. The maximum exposure to credit risk is represented by the carrying amounts of the financial assets that are carried in the statement of assets and liabilities and the related notes.

The Fund manages credit risks (risks due to uncertainty in counterparty or an obligor's ability to meet its obligation and cause the other party to incur a financial loss) by transacting with the sovereign and accredited counterparties only. A credit analysis is a standard operational procedure in order to assess the credit quality and the credit worthiness of the counterparty. Transactions may also be structured to include collateralization or various credit enhancements when necessary. Credit exposures are closely monitored so as to ensure that payments are made on time.

Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with the financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Fund is exposed to daily cash redemptions of its redeemable shares. It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Fund has the ability to borrow within a short period to ensure settlement of due amounts. No such borrowings have arisen during the year.

Board of Directors	Refers to the members of the Board of First Metro Save & Learn Fixed Income Fund, Inc.
BSP	Bangko Sentral ng Pilipinas
Catholic Educational Association of the Philippines	An association of private catholic schools in the Philippines
Close-end Company	An investment company other than an open-end company
Custodian Bank	The Hongkong and Shanghai Banking Corp. Ltd.
First Metro Asset management, Inc.	The duly licensed Fund manager, principal distributor and administrator of the Issuer
First Metro Investment Corporation	The parent company of First Metro Asset Management, Inc. and a shareholder in First Metro Save & Learn Fixed Income Fund, Inc.
First Metro Save & Learn Fixed Income Fund, Inc.	The issuer of securities which are the subject of this prospectus
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
Securities Regulation Code	The law that covers listed or public companies in the Philippines
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

FUND FEATURES

Issuer	First Metro Save & Learn Fixed-Income Fund, Inc.
Type of Issue	Open-End Mutual Fund
Shares Offered	Common Stock
Par Value	One Peso (1.00) per share

Purchase Price At NAV per share for the banking day, if payment is made within the daily cut-off time, plus a sales load fee.

Sales Load Fee

Investment Amount (in Php)	Sales Load
5,000 to less than 100,000	2.0%
100,000 to less than 500,000	1.5%
500,000 to less than 2,000,000	1.0%
2,000,000 and above	0.5%

Daily Cut-Off Time 12:00 noon

Minimum Investment Minimum initial Investment of Php5,000.00 and a minimum of Php1,000.00 worth of shares for additional purchases. 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 following day and will be processed accordingly. Payment shall be made by the Custodian Bank no later than seven (7) banking days from receipt of redemption request.

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

THE FUND

Background and Purpose

First Metro Save & Learn Fixed-Income Fund is an open-end investment company, which was incorporated on June 3, 2005 and subsequently registered under R.A. 2629 on September 6, 2005. It is principally engaged in the sale of its shares of stock and in the investment of the proceeds from these sales in a variety fixed-income instruments and securities. The Fund's main objective is to provide investors with the opportunity to access the capital markets and enable them to reap modest but satisfactory returns on their investments through a selection of fixed income instruments and securities, and the professional management and supervision of the Fund.

Competition

There are currently ten (10) peso-denominated fixed-income mutual funds in the country today with a combined assets under management of over P54 billion. This represents about 43% of the total industry. First Metro Save & Learn Fixed-Income Fund's market share as of March 31, 2014 is only about 3.74% of the industry size belonging to this category. It is the fourth largest bond fund with an asset under management of about P2.7 billion. The three big players in this segment of the industry are ALFM Peso Bond Fund, Philam Bond Fund, and Sunlife Prosperity Bond Fund, and hold about 91% share of this market segment as of May 31, 2013. ALFM Peso Bond Fund's market share is 73%. These three companies have good distribution channels because they are able to tap the agents of their affiliate life insurance companies.

The competitive environment for the company's products includes not only the products and services offered by other Mutual Fund players, but all other investment instruments that the target markets have access to. The institutional funds of this market (especially the bigger ones) evidently have access to almost all types of instruments locally available such as unit investment trusts, pre-need plans, universal life products and other traditional bank products. The retail funds and smaller institutional funds, however, are limited to simple bank products. There is also an opportunity for the company to tap both the institutional and retail funds of the CEAP market.

The company's marketing and sales strategies can be boosted by the strategic partnership of CEAP, Marist Brothers, and First Metro Investment Corporation. This competitive advantage will be further strengthened by FMIC's good track record as an investment house, expertise and experience, and position as the largest investment bank and backed-up by one of the largest universal banks in the country.

Effect of existing governmental regulation

On PAS39. Mark-to-market method of valuation, assesses debt instruments based on the current market price of those instruments. Therefore, the interplay of demand and supply of those instruments and the level of prevailing interest rates will affect the price of the instruments. The changes in the price will be reflected in the valuation of these instruments, hence reflected in the value of the net assets of the Fund. The Fund's net asset value per share (NAVPS) is thus affected.

Despite this kind of risk, however, bonds and other debt instruments are still more senior than stocks and are more conservative investment vehicles. This kind of risk can be managed partially by proper portfolio diversification in different instruments. Interest rate risks in general, can be further managed by spreading out the schedule of maturities. Additionally, the Investment Company Act requires that not more than 10% of the Fund's assets may be invested in one issuer.

The Registrant has no employees because all aspects of its operations and administration are subcontracted with FAMI and other service providers.

*Description of Securities**Capitalization and Ownership*

The Fund's authorized capital stock had been increased from ONE BILLION SHARES (1,000,000,000) TO ONE BILLION SEVEN HUNDRED MILLION SHARES (1,700,000,000) with a par value of Php1.00 per share. The Seven Hundred Million (700,000,000) shares which represent the recent increase in the authorized capital stock was approved by the Securities and Exchange Commission on April 12,2013.

There are no other material rights that common stockholders have nor there is any provision in the charter or by-laws of the issuer that would delay, deter or prevent a change in control of the registrant.

The Company had an initial paid-up capital of FIFTY MILLION PESOS (Php50,000,000.00), which was originally subscribed by the following:

Name	Nationality	Number of shares subscribed	Amount subscribed (Php)	Percentage (%)
1. First Metro Investment Corp.	Filipino	49,999,991	49,999,991.00	100.00
2. Victor C. Macalincag	Filipino	1	1.00	0
3. Antonio M. Bernardo	Filipino	1	1.00	0
4. Francisco G. Co	Filipino	1	1.00	0
5. Roberto Juanchito T. Dispo	Filipino	1	1.00	0
6. Manuel V. De Leon, FMS	Filipino	1	1.00	0
7. Gloria C. Garrovillo	Filipino	1	1.00	0
8. Eduardo A. Mendoza	Filipino	1	1.00	0
9. Nimfa B. Pastrana	Filipino	1	1.00	0
10. Edwin B. Valeroso	Filipino	1	1.00	0
TOTAL		50,000,000	50,000,000.00	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.

Properties

The Registrant does not own any properties (such as real estate, plant and equipment, mines, patents, etc.) and it does not intend to acquire any property/ies in the next twelve (12) months.

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. As of April 30, 2014, the Issuer has approximately 2,568 shareholders.

Market Price

Year		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2014	Highest	2.2059			
	Lowest	2.1363			
2013	Highest	2.0912	2.1889	2.2367	2.2060
	Lowest	1.8501	2.0768	2.1466	2.1547
2012	Highest	1.7168	1.708	1.7424	1.8549
	Lowest	1.6577	1.6955	1.7026	1.7420

Top 20 Holders

The following are the top 20 shareholders of the Fund (including holders of deposits for future subscription) as of April 30, 2013:

No.	CUSTOMER NAME	SHARES OWNED	% OWNERSHIP
1	00007	175,807,043	11.24%
2	01391	102,948,042	6.58%
3	27777	53,122,099	3.40%
4	16258	46,470,561	2.97%
5	14912	42,320,029	2.71%
6	17893	39,679,290	2.54%
7	05890	38,575,701	2.47%
8	00078	31,790,836	2.03%
9	21343	26,649,213	1.70%
10	07425	26,121,103	1.67%
11	24270	23,247,242	1.49%
12	33045	23,049,481	1.47%
13	11195	17,682,162	1.13%
14	04796	17,562,778	1.12%
15	27647	17,306,655	1.11%
16	06904	15,596,839	1.00%
17	27799	15,150,764	0.97%
18	27425	15,121,424	0.97%
19	21433	13,429,791	0.86%
20	00430	13,353,291	0.85%

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.

The Fund may declare or pay dividends but limits those dividends to come from the Fund's accumulated undistributed net income, determined in accordance with good accounting practice and including profits or losses realized upon the sale of securities; or from the Fund's earned surplus so determined for the current or preceding fiscal year. There were no dividend declarations for the years 2011, 2012 and 2013.

Affiliated Companies

First Metro Investment Corporation (FMIC) is affiliated with the Registrant, being its majority founding shareholder. Being a dealer and broker in securities, FMIC may also assist the registrant in terms of selecting and offering investment securities from time to time. On the other hand, FMIC, Catholic Educational Association of the Philippines, and Marist Brothers own First Metro Asset Management, Inc. (FAMI) 70%, 15% and 15%, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cash and Cash Equivalents

This account consists of:

March 31, 2014 December 31, 2013 December 31, 2012

Prospectus	First Metro Save & Learn Fixed-Income Fund, Inc.		
Cash in banks	₱ 15,701,908	₱16,910,408	₱5,058,738
Time deposits	1,570,990,459	323,371,231	204,287,222
Short-term placement	280,389,266	30,209,262	61,460,600
	₱ 1,867,081,633	₱370,490,901	₱270,806,560

As of March 31, 2014 and December 31, 2013, cash in banks bear annual interest rates of 0.25% and ranging from 0.375% to 0.75% respectively.

As of March 31, 2014 and December 31, 2013, short-term placement represents 34 to 35-day investment in deposit substitutes issued by an affiliate which earns annual interest of 1.75 % and 2.88% respectively.

The increase in cash and cash equivalents account is largely due to the placements made by the fund in time deposits with terms ranging from 5 days to 61 days and bear annual interest rates ranging from 0.25% to 4.0%.

Investment Securities

This account consists of:

	March 31, 2014	December 31, 2013	December 31, 2012
Financial assets at FVPL	₱642,865,901	₱2,131,658,874	₱1,198,684,928
AFS investments	410,763,597	472,706,157	273,388,234
	₱1,053,629,498	₱2,604,365,031	₱1,472,073,162

Financial Assets at FVPL

Financial assets at FVPL consist of the following:

	March 31, 2014	December 31, 2013	December 31, 2012
Government debt securities	₱78,553,559	₱1,563,269,052	₱1,056,625,121
Private debt securities	564,312,342	568,389,822	142,059,807
	₱642,865,901	₱2,131,658,874	₱1,198,684,928

Financial assets at FVPL bear annual interest rates ranging from 3.85% to 6.14% and from 3.60% to 6.60% in March 31, 2014 and December 31, 2013, respectively.

AFS Investments

AFS investments consist of the following:

	March 31, 2014	December 31, 2013	December 31, 2012
Government debt securities	₱277,354,109	₱136,122,274	₱62,154,419
Private debt securities	133,409,488	336,583,883	211,233,815
	₱410,763,597	₱472,706,157	₱273,388,234

AFS investments bear annual interest rates ranging from 4.50% to 6.15%, from 4.28% to 8.06% in March 31, 2014 and December 31, 2013 respectively.

Loans and Receivables

This account consists of:

	March 31, 2014	December 31, 2013	December 31, 2012
Unquoted debt securities	₱425,000,000	₱425,000,000	₱155,000,000
Accrued interest receivable	10,577,388	18,136,686	31,228,365
Accounts receivable	–	-	14,400
	₱435,577,388	₱443,136,686	₱186,242,765

Unquoted debt securities represent investments in commercial papers issued by various companies which earn annual interest rates ranging from 5.00% to 8.41% in March 31, 2014 and December 31, 2013.

Accrued interest receivable as of December 31, 2013 represents interests on time deposits, short-term placements and debt securities held by the Fund.

Accounts Payable and Accrued Expenses

This account consists of:

	March 31, 2014	December 31, 2013	December 31, 2012
Financial liabilities:			
Payable to FAMI (Note 16)	₱ 42,629,717	₱43,010,181	₱12,979,612

Prospectus	First Metro Save & Learn Fixed-Income Fund, Inc.		
Accounts payable	79,262,713	12,281,899	1,794,725
Accrued expenses	78,358	119,054	137,412
	121,970,788	554,411,134	14,911,749
Nonfinancial liabilities:			
Withholding tax payable	628,745	3,575,115	401,663
Documentary stamp tax payable	100,540	231,838	102,723
	729,285	3,806,953	504,386
	₱122,700,073	₱59,218,087	₱15,416,135

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

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 subscriptions are confirmed, these accounts payable are reclassified to equity.

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

Equity

Authorized Capital Stock

The Fund's authorized and issued capital stock follow:

	March 31, 2014	December 31, 2013	December 31, 2012
Authorized	1,700,000,000 shares	1,700,000,000 shares	1,000,000,000 shares
Issued	1,501,069,597 shares	1,538,105,406 shares	995,304,435 shares

The BOD approved on March 10, 2008, and ratified by the stockholders on June 18, 2008, the first tranche of the increase in the authorized capital stock of the Fund from ₱300.00 million

(300.00 million redeemable common shares) to ₱1.00 billion (1.00 billion redeemable common shares) with a par value of ₱1.00 per share. The application for the increase in the authorized capital stock of the Fund was approved by the SEC on May 18, 2012.

The second tranche of the increase in authorized capital stock was approved by the BOD and stockholders on March 14, 2012 and August 4, 2012, respectively, from ₱1.00 billion (1.00

billion redeemable common shares) to ₱1.70 billion (1.70 billion redeemable common shares) with a par value of ₱1.00 per share. The increase in authorized capital stock was approved by the SEC on April 12, 2013.

The third tranche of the increase in authorized capital stock was approved by the BOD and stockholders on February 25, 2013 and July 13, 2013, respectively, from ₱1.70 billion

(1.70 billion redeemable common shares) to ₱4.00 billion (4.00 billion redeemable common shares) with a par value of ₱1.00 per share. The BOD adopted a resolution that the increase in the authorized capital stock to ₱4.00 billion be made in several tranches. The authorized capital stock will be initially increased by ₱1.00 billion while the succeeding increase will be executed upon determination and approval of the BOD without the need of going back to the stockholders for approval.

As of December 31, 2013, the Fund has yet to file an application for the increase in authorized capital stock with the SEC.

As of March 31, 2014 and December 31, 2013 the total number of holders of redeemable common shares is 2,557 and 2,374 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.

The Fund's capital stock consists of redeemable shares. Issuance, repurchase and resale of redeemable common shares are based on NAV per share attributable to holders of redeemable common 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 holders of redeemable shares, the Fund's government debt securities are valued on the basis of Philippine Dealing System Transaction - R2 rates (PDST-R2). 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.

As of March 31, 2014 and December 31, 2013, the reconciliation between the Fund's equity and the NAV per share calculated using PDST-R2 rates follows:

	December 31, 2013	December 31, 2012
March 31, 2014		

Total equity calculated under PFRS	₱ 3,238,085,167	₱3,363,049,844	₱1,914,365,738
Adjustment from bid prices to PDST-R2 rates	0	25,621,739	11,305,391
NAV attributable to holders of redeemable shares(a)	3,238,085,167	3,388,671,583	1,925,671,129
Number of redeemable shares (b)	1,501,069,597	1,538,105,406	1,038,152,538
NAV per share (a/b)	₱2.1572	₱2.2031	₱1.8549

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 reasonable capital growth through investing in a selection of quality fixed-income instruments and securities. The Fund seeks to provide a high level of current income, consistent with the preservation of capital and liquidity by observing regulatory guidelines.

All security investments present a risk of loss of capital. The Investment Manager manages this risk through careful selection of fixed-income securities 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.

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

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 December 31, 2013 and 2012, the Fund has complied with the externally imposed capital requirement.

RESULTS OF OPERATION

2014

For the period ended March 31, 2014, First Metro Save and Learn Fixed Income, Fund, Inc. posted a net loss of ₱42.23 million as compared to ₱356.88 million net income for the same period in 2013 as the local market rates decline during the period.

The highlights of the results of operations for the period ended March 31, 2014 are as follows:

A. Trading gains

	March 31, 2014	March 31, 2013
Realized gains from sale of:		
Financial assets at FVPL	₱(69,634,285)	₱292,228,862
AFS Investments	80,188	976,381
Bonds	187,967	
Changes in fair value:		
Financial assets at FVPL	13,588,395	64,111,386
	₱(55,777,735)	₱ 357,316,629

Trading gains represent gains from sale of bonds and changes in fair value of financial assets as compared to its cost. During the period ended March 31, 2014, trading gains declined by 115.61% or ₱413.09 million from ₱357.32 million in 2013 to (₱55.78) million in 2014 year-on-year due to the volatility and decline in the prices.

B. Interest income

This account consists of interest income from:

	March 31, 2014	March 31, 2013
AFS investments	₱30,203,876	₱4,065,694
Loans and receivables	5,888,938	3,672,436
Financial assets at FVPL	-	5,620,051
Cash and cash equivalents	970,678	12,598,131
	₱37,063,492	₱21,890,618

This account increased by 69.31% or ₱15.17 million higher than last year's income of ₱21.89

C. Operating Expenses

Total operating expenses include management fees paid to FAMI, who serves as the Fund's Investment Adviser, directors' fees, transaction charges and professional fees. The ₱1.9 million decrease from the balance as of the same period in 2013 is mainly attributed to the decrease in management fees relative to the decline in the net asset value of the Fund.

D. Earnings Per Share

The table below presents how earnings per share (EPS) are computed:

	March 31, 2014	March 31, 2013
Net investment income (a)	₱(42,232,676)	₱356,875,975
Weighted average number of shares outstanding (b)	1,525,531,571	899,310,592
Earnings per share (a/b)	₱(0.0277)	₱0.3968

As of March 31, 2014 and December 31, 2013, there were no potential common shares with dilutive effect on the basic EPS of the Fund.

2013

- Trading gain rose by 20.8% or ₱34.5 million from last year's realized gain of ₱165.7 million due to the increase in trading of HFT investments.
- Interest Income significantly went up by 94.1% or ₱56.5 million from last year's income of ₱60.0 million due to the increase in the interest income earned in HFT investments, unquoted debt securities, time deposits, money market placements and AFS portfolio.
- Miscellaneous Income which consists of prepayment penalty and realized gains on derecognition of derivative liability on pre-termination of unquoted debt securities declined by 72.0% or ₱1.0 million from last year's ₱1.4 million.
- Operating Expenses significantly went up by 134.8% or ₱68.4 million from last year's ₱50.8 million. The increment was largely brought by the increase in management and retainer's fees and in taxes and licenses amounting to ₱63.4 and ₱4.5 million, respectively.
- 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

- Trading gain rose by 78.4% or P72.8 million higher than last year's realized gain of P92.8 million due to increase in trading of HFT investments resulting in gain.
- Interest Income went up by 128.4% or ₱33.7 million higher than last year's income of ₱26.3 million. This is due to the increase in the interest income earned in HFT investments, unquoted debt securities, time deposit and money market placements and AFS portfolio.
- Miscellaneous Income consists of prepayment penalty and realized gains on derecognition of derivative liability on pre-termination of unquoted debt securities.
- Operating Expenses went up by 100.2% for the year ended December 31, 2012 compared to the same period in 2011. The increment of ₱25.4 million was largely brought about by the increase of ₱22.1 million in management fees and ₱3.1 million in documentary stamp taxes and SEC registration 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.

DISCUSSION OF KEY PERFORMANCE INDICATORS

SALFIF has identified the following as its key performance indicators -- performance vs. benchmark, net income and market share.

SALFIF was incorporated on June 3, 2005. It seeks to provide a high level of current income that is consistent with the preservation of capital and liquidity.

First Metro Asset Management, Inc. (FAMI) serves as its Investment Company Adviser, Administrator and Principal Distributor. With the SEC's approval of FAMI's license to act as such on September 6, 2005, active management of the Fund's assets was initiated during the latter part of the same month with the objective to consistently outperform its benchmark and achieve a sizable net income.

SALFIF has an initial capitalization of ₱50,000,000.00 which translates to a minimal share in the mutual fund industry (under the bond fund category).

SALFIF has identified the following as its key performance indicators:

- *Net Asset Value per Unit.* Net Asset Value per share declined from P 2.2031 at the end of December 2013 to P 2.1572 at the end of March 2014, representing a decrease of 2.08% over a three-month period. This is primarily due to the net loss incurred by the Fund during the first quarter period.
- *Sales for the quarter ended.* The Fund had total sales of P 144 million for the quarter ended March 31, 2014. This represents a 90.83% decrease from the P 1.57 billion sales for the same period in 2013.
- *Redemptions for the quarter ended.* The Fund had total redemptions of P224 million for the quarter ended March 31, 2014 that is 83.75% lower than last year's P1.38 billion.
- *Net Income vs. Benchmark.* The fund realized ₱42.2 million net loss for the period ended March 31, 2014, a substantial decline of ₱399.0 million from ₱356.8 million net income recognized during the same period last year.
- *Market Share vs. Benchmark* – As of March 31, 2014 the Fund garnered 3.74% share in the Fixed Income Funds category while 1.51% share among all mutual funds in terms of net assets. On the basis of account holders, the Fund has 2,558 account holders (including holder of deposits for future subscription) or 4.48% of the total accounts in this Fund category.

FINANCIAL SOUNDNESS INDICATORS

	March 31, 2014	March 31, 2013	December 31, 2013
	Unaudited	Unaudited	Audited
Current ratio ¹	2,057.88%	395.00%	4,263.16%
Acid Test Ratio ²	2,054.22%	394.90%	4,255.94%
Debt-to-equity ratio ³	3.79%	33.90%	1.76%
Asset-to-equity ratio ⁴	103.79%	133.90%	101.76%
Interest rate coverage ratio ⁵	n.a.	n.a.	n.a.
Profitability ratios:			
Return on assets ⁶	(4.98%)	13.55%	6.64%
Return on equity ⁷	(5.12%)	16.20%	6.74%

OTHER INFORMATIONDiscussion and analysis of material events and/or uncertainties

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

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

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:

- **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 Balanced 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). 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-

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

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.

- **Amb. Romualdo A. Ong** – 73 years old, Filipino, Independent Director since 2009. Ambassador Ong has been part of the Board of First Metro Investment Corporation as an Independent Director from 2005 to 2012. He also sit as Independent Director of PBC Capital Investment Corporation from 2006 to present. He has over 40 years of experience in foreign service/international management. He served as Philippine Ambassador to Malaysia (2003-2004), China (1994-2000), Russia (1992-1993), and Australia (1986-1989). He also held the positions of Assistant Secretary for the Office of ASEAN Affairs and for Asian and Pacific Affairs, and Director of the Foreign Service Institute, all under the Department of Foreign Affairs.

He is a graduate of the University of the Philippines with a BS degree in Foreign Service. He also pursued further Diplomatic Studies at the Institut International D'Etudes et de Recherches Diplomatiques and International Civil Service Training at O.F.I., both in Paris.

- ***Mr. Hector C. De Leon** – 51 years old, Filipino. Term of Office is one year. He is the 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 Equity Fund, Inc. (since June 2011) First Metro Save and Learn Fixed Income 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.
- **Victor A. Abola**- 70 years old, Filipino, Independent Director. He is also an Independent Director of He is an independent director of First Metro Save & Learn Equity Fund, Inc. (since 2010), First Metro Save & Learn Fixed Income Fund, Inc. (since 2010), First Metro Save & Learn Balanced Fund, Inc. (since 2010), First Metro Save & Learn Money Market 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)

- **Bernadette M. Nepomuceno**, 62 years old. Filipino. Independent Director. Ms. Nepomuceno is also an Independent Director of First Metro Save & Learn Equity Fund, Inc. (since August 2012), 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), 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

- **Hector C. De Leon***
- **Atty. Nimfa B. Pastrana** - 52 years old, Filipino, Corporate Secretary. Term of office is one year and has served as such from January 29, 2007 up to present. She is the First Vice President 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, First Metro Save and Learn Equity Fund (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, PBC Capital Investment Corporation, 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 from January 29, 2007 up to present. 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 from January 29, 2007 up to present. 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.
- **Mr. Edwin B. Valeroso** - 50 years old, Filipino, Vice President. 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

	Per Diem		
	2013	2012	2011
Directors	201,765	190,000	170,000
Executive Officers	42,000	42,000	42,000
Aggregate Annual Per Diem	243,765	232,000	212,000

Per diem of Directors, Corporate Secretary and Officers of the Fund amounting to P10,000.00, P3,000.00, P2,500.00, respectively, are given during their Annual Stockholders' and regular meeting. The total amount of per diem for the year 2013 is P243,765 and the estimated per diem for the year 2014 is P242,000.

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 or any of its subsidiaries/parties has no material pending legal proceedings to which it is a party or of which their property is subject. None of the Board of Directors of the registrant is:

1. involved in any legal proceeding the past five (5) years up to the latest 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;
2. 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;
3. 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;
4. 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

5. 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 following stockholders own more than 5% of the common voting securities as of April 30, 2014:

Title of Class	Name and Address of Owner	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	175,807,043	11.24%
Common Shares	Catholic Educational Association of the Philippines - Retirement Fund Rm.303, 3/F JBD Plaza, No. 65 Mindanao Avenue, Quezon City	Same	Filipino	102,948,042	6.58%

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. FMIC is a major shareholder of the Fund.

2- Catholic Educational Association of the Philippines – Retirement Fund (CEAP-Retirement Fund) is the registered owner of the shares in the books of the Company. The person who will exercise the voting powers over the shares of CEAP Retirement Fund is Mr. Nilo L. Pacheco or Bro. Narciso S Erguiza Jr., FSC. CEAP is a major shareholder of the Fund.

The original proponents have agreed not to sell, transfer, convey, encumber or otherwise dispose of their shares of the Fund within twelve (12) months from its registration.

SECURITY OWNERSHIP OF MANAGEMENT

Following are the securities owned by directors and officers of the Company as of April 30, 2014:

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	Amb. Romualdo A. Ong	3,890	Filipino	0.00%
Common shares	Victor A. Abola	1	Filipino	0.00%
Common shares	Bernadette M.		Filipino	0.01%

Common shares	Nepomuceno Hector C. de Leon	106141 104,977	Filipino	0.01%
Common shares	Nimfa B. Pastrana	94,130	Filipino	0.01%

The Corporation knows of no other person holding more than 5% of common shares under a voting trust or similar agreement.

There is no arrangement that may result in a change in control of the registrant.

No change of control in the Corporation has occurred since the beginning of its last fiscal year.

RELATED TRANSACTIONS

There are no material transactions with or involving the Fund with any company 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 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 assets acquired or to be acquired from a promoter.

There are no arrangements which may result in a change of control of the registrant.

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.

COMPLIANCE WITH THE MANUAL ON CORPORATE GOVERNANCE

In line with the Securities and Exchange Commission's Memorandum Circular No. 2 series of 2002, the Company has adopted its Manual on Corporate Governance providing for the best practices on governance. The duties responsibilities and authorities of the Board of Directors as well as qualifications of a director/officer are adopted and complied with. Board Committees were created, such as: the Audit Committee; the Nominations Committee which pre-qualifies and shortlists the nominees for independent directors to be elected in the annual stockholders meeting and the Compensation Committee which assist the Board of Directors in ensuring due observance of corporate governance principles and guidelines.

A compliance officer has been appointed to manage the Compliance System of the Company and to monitor and evaluate compliance with the Manual of Corporate Governance. In general, the Company is in compliance with the leading practices in good corporate governance. This was reported in a Certification by the Compliance Officer filed with the Commission on January 5, 2012. No director or officer of the Company was found in violation of the Manual.

The Company has adopted a good governance scorecard to measure and determine the level of compliance by the Board of Directors and top-level management with its Manual of Corporate Governance. Every end of the current year, the scorecard patterned after the SEC-prescribed Corporate Governance Self-Rating Form (CG-SRF) shall be accomplished by the Compliance Officer. Based on the duly accomplished Scorecard, the Compliance Officer has submitted to the SEC the required certification attesting compliance with the Manual.

INVESTMENT POLICY

The Fund is an open-end mutual fund that seeks to provide as high a level of current income as is consistent with preservation of capital and liquidity.

INVESTMENT GUIDELINES AND RESTRICTIONS

The Fund has investment objectives classified as low risk. 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 liquidity purposes, unless otherwise prescribed by the Commission, at least 10% of the fund shall be invested in liquid/semi-liquid assets such as those enumerated below.

The assets of the Fund shall be structured based on 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.

Specifically, the Fund shall invest in any of the following

- Government securities⁸ 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
- Certificates of Deposits

- SEC-registered commercial papers and bonds, with a rating of at least “PRIS 2” for short-term and “PRIS Aaa” (or their equivalents) for long-term tenors; and,
- Bankers' acceptances
- Other allowed fixed-income instruments both Peso and Dollar denominated

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 investments; 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

The total proceeds from the sale of the additional seven hundred million (700,000,000) shares is estimated at P1,510,740,000.00, based on the NAVPS of P2.1582 as of April 30, 2014. Deducting the estimated expenses of P600,000.00 (composed of registration fees, documentary stamp tax, etc.), the net proceeds would be P1,531,630,000.00. The net proceeds will be primarily invested in government securities, SEC-registered commercial papers, among other debt instruments. The assets of the Fund shall be structured based on 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.

No material amount of proceeds will be used (a) to discharge any debt of the Issuer, (b) to acquire assets or finance the acquisition of other business, (c) to reimburse any officer, director, employee or shareholder for service rendered, assets previously transferred, money loaned or advance or otherwise.

EXPENSES TO BE DEDUCTED FROM THE GROSS PROCEEDS

The expenses that shall be paid out of the gross proceeds are composed of investment management fee, distribution fee and administration fee (1.75%), Stock and Transfer Agency fee (approximately P8,000 per month), Custodianship fee (approximately P8,000 per month plus P200 per transaction) and documentary stamp tax of P1.00 per P200 par value.

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

1. Allowances of independent directors for every shareholders' and board meeting held;
2. Audit and legal fees;
3. Fees of custodian bank;
4. Cost of printing and delivering notices, reports, proxies and other communication material for existing shareholder;
5. Fees of transfer agent;
6. Taxes, including income taxes, documentary stamp taxes and license fees as may be required by law or by the rules and regulations of the SEC; and
7. Management, distribution and administration fees computed in accordance with the Management, Distribution and Administration Agreement between the Fund and the Investment Company Adviser

PLAN OF DISTRIBUTION/DISTRIBUTION METHOD

The Fund has appointed 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 will set up a marketing network and accredit sub-dealers or agents to sell the shares. Accredited sub-dealers or agents are directly liable to FAMI.

FAMI's license as Fund's Investment Manager, Administrator and Principal Distributor was renewed and approved by the SEC on November 29, 2013.

The Fund currently has a Management and Distribution Agreement with FAMI and a Stock and Transfer Agency Agreement with MBTC-TBG (the Agreements). The Agreements cover the services to be rendered by FAMI and MBTC-TBG, and the payment of fees based on the Fund's average NAV computed on a daily basis, except for stock and transfer agency fee, as follows:

Service	Account	Rate
Fund management and distribution	Management fee	1.75% of the Fund's average net asset value computed on a daily basis
Fund management and distribution	Incentive fee	10% of realized appreciation in the value of net assets in excess of hurdle rate*
Stock and transfer agency	Retainer's fee	8,000 per month accrued daily

*Calculated as the 5-year PDST fixing rate plus 1% spread

The management and retainer's fee are paid on a monthly basis while the incentive fees are paid annually. These agreements shall remain in effect from year to year, unless otherwise terminated by the parties in accordance with specified terms and conditions.

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. Once submitted, the Investment Application may not be cancelled in full or in part. 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 at least two (2) 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 (plus VAT) applicable for the various levels of investments are as follows:

Investment Amount (in Php)	Sales Load
5,000 to less than 100,000	2.0%
100,000 to less than 500,000	1.5%
500,000 to less than 2,000,000	1.0%
2,000,000 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 & Learn Fixed-Income 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 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. The redemption price surrendered before the daily cut-off time shall be the next computed NAVPS. 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) if 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.

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 (400,000) shares at a par value of One Hundred Peso (Php100.00) per share. It has a subscribed capital of Eleven Million Seven Hundred Sixty Five Pesos (Php11,765,000.00) of which Ten million Pesos (P10,000,000.00) are paid-up.

The investment manager, fund administrator and principal distributor has its license from the Securities and Exchange Commission. The said license was renewed and a Certificate was issued by the SEC on November 29, 2013.

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.

There is no arrangement whereby FAMI has the right to designate or nominate a member/s of the board of directors of the Issuer.

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 and officers of FAMI:

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. Mr. Cosio 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.

BRO. 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 DAGOHOY, 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. 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.

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 Auditor

The present auditor of FMSALFIF is Sycip, Gorres, Velayo and Company. The reports of said auditors on the financial statements of the company for the years ended 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 2012 and 2011 is P172,480.00 & P203,680.00, 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.

The Fund paid P50,000.00 in 2011 for tax advisory services provided by SGV & Co.

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.

The audit committee is responsible for the appointment of the Independent External Auditor, the audit fee and any question of resignation or dismissal. The external auditors shall report directly to the Audit Committee. To date, there are no written policies on the appointment of external auditors.

The audit committee recommends to the shareholders the external auditor to be appointed based on an assessment of the auditing firms' qualification, expertise and resources, effectiveness and independence. The audit committee should ensure that the external auditor that is recommended for the appointment is accredited by the Securities and Exchange Commission.

The audit committee must approve the external auditors' term of engagement and remuneration. To do so, the audit committee should evaluate the term of engagement and discuss with the auditor to satisfy itself that the level of remuneration is appropriate to enable an effective audit to be conducted

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 and Principal Distributor, 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 three-fourths percent (1.75%) 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 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 one-tenth (1/10) of the realized appreciation in value of the Fund's net assets in excess of the "hurdle rate" defined as either: 12% or the average 91-day Treasury Bill rate for the applicable year (net of tax) plus a spread of 3% *whichever is higher*.

FAMI will also receive the sales load fee (exclusive of VAT) under the following schedule:

Investment Amount (in Php)	Sales Load
5,000 to less than 100,000	2.0%
100,000 to less than 500,000	1.5%
500,000 to less than 2,000,000	1.0%
2,000,000 and above	0.5%

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,
6. 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 company 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 are filed with the SEC. The SEC has original and exclusive jurisdiction over intra-corporate disputes.

Shareholders have the right to inspect the records of the corporation. 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 Jan. 1, 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 .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 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. Tax on dividends received from domestic corporations: None.