

ATRAM PHILIPPINE BALANCED FUND, INC.

(Formerly ATRKE Philippine Balanced Fund, Inc.)

Unit 10A, 5th Ave. cor. 26th Street, E-Square, Crescent Park West, Bonifacio Global City, Taguig City
Telephone Nos.: +632-814-7800 | Facsimile No.: +632-841-0315

1,826,319,440 Shares Common Stock

ATRAM Philippine Balanced Fund, Inc. (the "Fund") is an Open-End Investment Company (also known as a "mutual fund") established in accordance with Republic Act No. 2629, otherwise known as the Investment Company Act, and duly registered with, and regulated by, the Securities and Exchange Commission (the "SEC").

The offering consists of One Billion Eight Hundred Twenty Six Million Three Hundred Nineteen Thousand Four Hundred Forty Four (1,826,319,440) shares of common stock, with par value of One Peso (PHP1.00) per share (the "Shares"). The Shares shall be offered continuously to the general public at the current Net Asset Value per share ("NAVPS") plus any applicable Sales Fees. Additional information about the Fund has been filed with the SEC and is available upon request.

Investment Adviser and Principal Distributor:



ATR ASSET MANAGEMENT, INC.

(Formerly ATR KIMENG ASSET MANAGEMENT, Inc.)

8th Floor, 8 Rockwell Building, Hidalgo Drive, Rockwell Center, Makati City, 1210 Philippines
Telephone Nos.: +632-814-7800 | Facsimile No.: +632-841-0315

The Date of this Prospectus is July 3, 2017

THIS REGISTRATION STATEMENT/PROSPECTUS DOES NOT COVER NOR INCLUDE FUTURE AMENDMENTS HERETO. ANY FUTURE AMENDMENT/S THERETO AFFECTING INVESTORS' RIGHTS, SUCH AS BUT NOT LIMITED TO SALES/REDEMPTION FEES AND INVESTMENT OBJECTIVES, WHICH HAVE ALREADY BEEN APPROVED BY THE FUND'S BOARD OF DIRECTORS AND RATIFIED BY ITS STOCKHOLDERS BUT ARE STILL PENDING APPROVAL WITH THE SEC, SHALL FULLY DISCLOSED TO ANY PROSPECTIVE INVESTOR.

SHARES OF THE FUND ARE NOT DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY, ANY FINANCIAL INSTITUTION, AND ARE NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION. INVESTMENT IN SHARES OF THE FUND INVOLVES RISK.

This Prospectus should be read carefully and retained for future reference.

No dealer, salesperson or other individual has been authorized to give any information or make representation other than those contained in this Prospectus and, if given or made, such other information or representation must not be relied upon as having been authorized by the Fund or by the Investment Adviser.

The proceeds from the sale of the securities shall be invested and reinvested in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities.

Prospectus Summary

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

Brief Description of the Business

ATRAM Philippine Balanced Fund, Inc. (the "Fund") is a stock corporation duly registered with the Securities and Exchange Commission on December 7, 1995, under SEC Registration No. ASO95-12279. The Fund is an open-end investment company, i.e., a mutual fund.

The Fund is designed to seek total return through current income and long-term capital growth through investment in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities. While SEC Memorandum Circular No. 7 Series of 2005 or the "Guidelines on the Evaluation of Foreign Investments by Mutual Fund Companies" allows mutual fund companies to invest up to 100% of its assets in foreign securities. The Fund is designed for those who seek an investment with moderate risk.

On June 25, 2015, the shareholders at its annual meeting approved the change of name from ATRKE Philippine Balanced Fund, Inc. to ATRAM Philippine Balanced Fund, Inc. The change of name was approved by the SEC on August 28, 2015.

On June 25, 2015, the shareholders at its annual meeting approved the principal office of the Fund from 17/F Tower One and Exchange Plaza, Ayala Triangle, Makati City, 1200 Philippines to Unit 10A, 5th Ave. cor. 26th Street, E-Square, Crescent Park West, Bonifacio Global City, Taguig City, Philippines, c/o ATRAM with Telephone No. (632)814-7800, Fax No. 841-0315, website: www.atram.com.ph.

Description and Amount of Securities Offered

At present, the Fund has an authorized capital stock of One Billion Eight Hundred Twenty Six Million Three Hundred Nineteen Thousand Four Hundred Forty Pesos (PHP1,826,319,440.00) divided into One Billion Eight Hundred Twenty Six Million Three Hundred Nineteen Thousand Four Hundred Forty (1,826,319,440.00) common shares with a par value of One Peso (PHP1.00) per share.

The Board of Directors at its meeting on August 16, 2013 and by the shareholders at their meeting on September 17, 2013 approved the increase in authorized capital stock from 1.2 Billion shares to up to 10 Billion shares to be registered in tranches with SEC.

On March 5, 2014, SEC has approved the increase of authorized capital stock (1st tranche) of the Fund in the amount of Six Hundred Twenty Six Million Three Hundred Nineteen Thousand Four Hundred Forty Pesos (P626,319,440) divided into Six Hundred Twenty Six Million Three Hundred Nineteen Thousand Four Hundred Forty (626,319,440) shares at PHP1.00/share.

The proceeds of the offering shall be used primarily to invest and re-invest in listed equity and fixed income securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities.

The shares are offered over-the-counter on a continuous basis at the current Net Asset Value per share (NAVPS) through the Principal Distributor and other registered representatives licensed by the SEC and eligible securities dealers that have entered into an agreement to sell shares with the Fund. Upon redemption of any of these shares, the shares redeemed will again be offered over-the-counter.

Deposit for Future Subscription (“DFFS”)

With the strong economy and stock market performance, the Fund may become fully subscribed at any point in time that will necessitate the filing of an increase in authorized capital stock. In such case, the Fund would continue to accept deposits for subscriptions to be lodged under deposit for future subscriptions (“DFFS”) after filing an application for an increase in authorized capital stock with the SEC. The DFFS would be valued at the prevailing NAVPS at the date of the transaction but would only be earmarked for issuance of shares until the application for increase in authorized capital stock has been approved by the SEC and actual shares can be issued.

Investment Restrictions

The Fund shall not invest more than 15% of its Net Asset Value (NAV) in instruments and securities from any single issuer or enterprise except obligations of the Philippine Government and its instrumentalities nor shall the total investment of the Fund exceed ten percent (10%) of the outstanding securities of the investee company (SEC Memo Circular No. 12, Series of 2013 dated 7/9/13). For purposes of liquidity, at least five percent (5%) of the Fund’s assets shall be invested in liquid/semi-liquid assets (Per SEC Memo Circular No. 12, Series of 2013 dated 7/9/13).

The Fund does not have a maximum exposure limit to any sector.

Purchase of Shares

For investors purchasing shares of the Fund, the minimum investment is an amount not less than Fifty Pesos (PHP50.00), or such other amount as may be determined by the Fund's Board of Directors from time to time, but not below the prescribed minimum investment approved by the SEC. For subsequent investments by existing investors, the minimum investment is at least Fifty Pesos (PHP50.00), or such other amount as may be determined by the Fund's Board of Directors from time to time, but not below the prescribed minimum of additional investment approved by the SEC. (Per SEC Res. No.53, S. of 2018). The Sales Fee to be charged to an investor ranges from zero (0) to five percent (5%) of the investment amount plus Evat.

Redemption of Shares

Redemption Fees (inclusive of eVAT) in amounts from zero (0) to five percent (5%) will be charged to the investor on shares redeemed. Minimum holding period shall be 90 days. Redemptions within the holding period will be charged a fee of 1.12% (inclusive of eVAT). If investment is held longer than the minimum holding period, the redemption fee will be waived. **The minimum redemption amount is Fifty Pesos (PHP50.00), unless an investor’s outstanding investment in the Fund is less than Fifty Pesos (PHP50.00), in which case, the minimum redemption amount shall be the total amount of the outstanding investment (Per SEC Res.No.53,S.of2018).**

Custodian of the Assets of the Fund

The Custodian shall hold all proceeds from the issuance and sale of the Shares and the Fund’s investment in securities. Deposits made by clients through the deposit-taking or receiving banks of the Fund shall be transferred to the Custodian from time to time.

Investment Adviser/Distributors

The Fund will pay the Investment Adviser per Fee Agreement, an Annual Advisory/Management Fee of 0.50% percent p.a. based on the daily net assets of the Fund, payable monthly exclusive of Evat. The Investment Adviser is allowed to charge a fee of up to a maximum of five percent (5%) p.a. of the daily net assets of the Fund by the Board of Directors and at any point in time the agreed maximum rate may apply through the issuance of an amended Fee Agreement.

Further, the Fund will pay its Distributor per Fee Agreement, an Annual Distribution Fee of 1.25% p.a. based on the daily net assets of the Fund, payable monthly exclusive of Evat. The Distributor is allowed to charge a fee of up to a maximum of three percent (3%) p.a. of the daily net assets of the Fund by the Board of Directors and at any point in time the agreed maximum rate may apply through the issuance of an amended Fee Agreement.

Summary of Fees Paid by the Fund and by the Shareholders/Investors

Actual Fees Paid By	Advisory Fee	Distribution Fee	Administration Fee	Transfer Agent Fee	Fund Accountant Fee*	Directors Honoraria	External Auditor	Corporate Secretary
Fund	Advisory Fee of 0.50% p.a. of NAV however, the Investment Adviser is allowed to charge a fee of up to a maximum of 5% at any point in time through the issuance of an amended schedule of fee.	Distribution Fees of 1.25% p.a. of NAV however, the Distributor is allowed to charge a fee of up to a maximum of 3% at any point in time through the issuance of an amended schedule of fee.	0.15% p.a. of average daily net asset subject to a minimum fee of P300,000*inclusive of FA fee	P10/account or P240,000 whichever is greater.	.05% p.a. of daily NAV. Minimum FA monthly fee is P10,000	P5,000 per meeting	P113,836.80 for 2015 audit	P8,960 per month

Custody Safekeeping Fees to be paid by the Fund		US\$0-100MM	US\$100-500MM	US\$500MM+
Equities (based on market value)		1.50 bps	1.25 bps	1.00 bps
Fixed Income(based on nominal value)		2.50 bps	2.25 bps	2.00 bps
Fees to be paid by Shareholders/Investors	Sales Fee	0 to 5% of the investment amount being purchased/subscribed. Please see Sales Price on page 35 for details.	Redemption Fee	Redemption Fees (inclusive of eVAT) in amounts from zero (0) to five percent (5%) will be charged to the investor on shares redeemed. Minimum holding period shall be 90 days. Redemptions within the holding period will be charged a fee of 1.12% (inclusive of eVAT). If investment is held longer than the minimum holding period, the redemption fee will be waived.

Dividend Policy

Each shareholder has a right to any dividends declared by the Fund. The basis of the declaration would be the unrestricted retained earnings of the Fund. Each investor has the option to either reinvest or receive any cash dividends declared by the Fund. 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. The exception to this is to distribute 100% of its surplus profits in excess of 100% paid-up capital as cash dividends to shareholders. The Board of Directors of the Fund may amend this dividend policy as condition warrants. The Fund has not declared any cash dividends in the last two (2) fiscal years. There are no restrictions on the ability to declare dividends in the future. 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 (cash or stock).

Mutual fund distributors are required to be licensed by SEC as well as its agents who are required to get a Certified Investment Solicitor license before it can sell the shares of the mutual fund company.

Valuation

The Fund will be valued using the mark-to-market basis in accordance with PFRS 9. Thus, the NAV of the Fund will fluctuate with changes in the market value of the Fund's investments. Such changes in the market value may occur as a result of various factors including material changes in the Fund, general economic conditions or interest rate and foreign exchange policy changes.

Risks of Investing

The key risk factors identified for investors in this Fund are capital markets risk, liquidity risk, interest rate risk, credit risk, reinvestment risk, sector risk, currency risk, management risk, operational risk, and the risk of dilution. For a more detailed description of these risk factors associated with the purchase of the Fund's shares, see "Risk Factors" on page 17 of this Prospectus.

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

ATRAM PHILIPPINE BALANCED FUND, INC.

**(Original Signed)
By: EULOGIO A. MENDOZA
Chairman/President**

NOTARIAL ACKNOWLEDGMENT

SUBSCRIBED AND SWORN to before me this JULY 03, 2017 affiants exhibiting to me his
Passport No. ECO597068, issued on 3/13/14 at DFA Manila.

**ATTY. HOBERT N. LLUZ
NOTARY PUBLIC**

**APPT. NO. M20
UNTIL DECEMBER 31, 2017
SC ROLL NO.59597**

**MCLE COMPLIANCE NO.V-0015439; 9 March 2016
IBP NO.1052367, Nov. 22, 2016-RSM
PTR NO.5909501, JAN 03,2017 MAKATI
Unit 101 Urban Avenue, Brgy. Pio del Pilar
Makati City**

**DOC. NO. 111
BOOK NO. 188
PAGE NO. 24
SERIES OF 2017**

RISK DISCLOSURE STATEMENT

General Warning

- The prices of debt and equity securities fluctuate and any individual security may experience upward or downward movement, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling instruments and securities.
- Past performance is not a guarantee for similar future performance.
- There is an extra risk of losing money when instruments and securities are bought from smaller issuers with limited resources. There may be a big difference between the buying price and the selling price of these instruments and securities.
- An investor deals in a range of investments, each of which may carry a different level of risk.
- The NAV of the Fund will fluctuate with changes in the market value of the Fund's investments. Such changes in market value may occur as a result of various factors, including material changes in the Fund, general economic conditions or interest rate and foreign exchange policy changes. The key risk factors identified for investors in this Fund are: capital market risk; liquidity risk; interest rate risk; sector risk; currency risk; management risk; operational risk; and the risk of dilution. For a more detailed description of these risk factors associated with the purchase of the Fund's shares, see "Risk Factors" on page 17 of this Prospectus and other information.

Prudence Required

This risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these instruments and securities. An investor should undertake his or her own research and study on the trading of instruments and securities before commencing any trading activity. He or she may request information on the instruments and securities and Issuers thereof from the SEC and other foreign regulators 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 instruments and securities to invest in or the nature of risks involved in trading of instruments and securities, especially those of high-risk instruments and securities.

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GLOSSARY

Annual Distribution Fee	Compensation payable by the Fund to the Principal Distributor or other authorized and licensed distributors for the distribution of the Fund's shares; computed daily, based on the net value of the Fund's assets, and paid every month
Annual Advisory Fee	Compensation payable by the Fund to the Investment Adviser for the management of the Fund's portfolio; computed daily, based on the net value of the Fund's assets, and paid every month
Board or Board of Directors	Board of directors of the Fund
Business Day	Any day of the week, other than Saturday or Sunday, when banks are not required or authorized to close in Makati City
Custodian Bank	Citibank N.A.
Dealers	Eligible securities dealers that have entered into an agreement to sell shares with the Fund's Investment Adviser
DFFS	Deposits For Future Subscription
Director	A director of the Fund
eVAT	Expanded Value-Added Tax
Fund	ATRAM Philippine Balanced Fund Inc. (the "Fund" or "Issuer" or "Registrant")
Fund Accountant	Deutsche Bank AG, Manila Branch
Fund Administrator	ATR Asset Management, Inc. ("ATRAM") formerly ATR KimEng Asset Management, Inc.
Investment Adviser	ATR Asset Management, Inc. ("ATRAM") formerly ATR KimEng Asset Management, Inc.
NAV	Net Asset Value or the Fund's total shareholders' equity
NAVPS	Net Asset Value per Share
PFRS 9	Philippine Financial Reporting Standards - Financial Instruments Recognition and Measurement
Principal Distributors	ATR Asset Management, Inc. ("ATRAM") formerly ATR KimEng Asset Management, Inc.
PSE	Philippine Stock Exchange
R.A. 2629	Investment Company Act
R.A. 8799	Securities Regulation Code, as amended
Redemption Fee or Exit Load	A fee charged to the investor should the investment be redeemed within 2 years from date of share purchase
Registered Representative	The Fund's registered representative legally qualified to sell the Fund's shares
Sales Fee or Front-end Load or Entry Load	The sales commission charged to the investor upon buying shares of the Fund
SEC	Securities and Exchange Commission
Transfer Agent	ATR Asset Management, Inc. ("ATRAM") formerly ATR KimEng Asset Management, Inc.

SUMMARY OF FINANCIAL INFORMATION

In Philippine Pesos (PHP)	As of Dec 31, 2013 (audited)	As of Dec 31, 2014 (audited)	As of Dec 31, 2015 (audited)	As of Sep 30, 2016 (unaudited)
Total Assets	2,497,350,133	3,717,991,135	2,482,321,745	2,193,558,271
Total Liabilities	16,796,253	83,833,753	10,357,881	19,297,560
Capital Stock	1,179,993,806	1,546,947,280	1,158,692,872	921,801,100
Additional Paid-in Capital	1,244,000,712	1,757,229,888	1,382,856,747	1,098,653,641
Net Asset Value	2,480,553,880	3,634,157,382	2,471,963,864	2,174,260,711
Net Asset Value per Share	2.1022	2.3492	2.1334	2.3587
Income	74,562,047	208,350,864	95,860,779	189,732,780
Expenses	29,942,091	89,865,309	225,394,977	39,653,892
Net Income /(Net Loss) after Tax	41,213,656	107,836,830	(141,801,383)	142,721,838

Statement of Comprehensive Income	As of Dec 31, 2013 (audited)	As of Dec 31, 2014 (audited)	As of Dec 31, 2015 (audited)	As of Sep 30, 2016 (unaudited)
Increase(Decrease) in Net Assets Attributable to Shareholders from Operations	41,213,656	107,836,830	(141,801,383)	142,721,838
Total Comprehensive Income (loss)/Increase (Decrease) in Net Assets Attributable to Shareholders	41,213,656	107,836,830	(141,801,383)	142,721,838

ATRAM PHILIPPINE BALANCED FUND, INC.

HISTORICAL BACKGROUND

ATRAM Philippine Balanced Fund, Inc. (the "Fund") is a stock corporation duly registered with the SEC on December 7, 1995, under SEC Registration No. ASO9512279. The Fund is an open-end investment company (also known as a "mutual fund") regulated by the Securities and Exchange Commission. On September 12, 2011, the SEC approved the change of name of the Fund from The Mutual Fund Company of the Philippines, Inc. to ATRKE Philippine Balanced Fund, Inc. On September 9, 2015, the SEC approved its present name to ATRAM Philippine Balanced Fund, Inc.

The following were the founding shareholders of the Fund which invested a total of P50 Million as initial paid-up capital of the Fund: AFP Retirement Separation Benefits System, Meralco Pension Fund, PLDT Beneficial Trust Fund, PNB Provident Fund and San Miguel Corporation Retirement Fund.

The following were the incorporators of the Fund: Jose S. Ramiscal, Jr., Delfin C. Gonzales, Jr., Lucas R. Vidad, Benito dela Cruz and Ricardo B. Zarate.

Under the previous Rules and Regulations governing Investment Companies under Republic Act No. 2629, the founding shareholders were not allowed to sell, transfer, convey, encumber, or otherwise dispose of their shares within twenty four (24) months. However, this was amended under ICA Rule 35-1 to within 12 months from the date the Fund's registration took effect, i.e. from February 5, 1996. The lock-up period expired effective February 4, 1998. Over the years, the AFP Retirement Separation Benefits System, San Miguel Corporation Retirement Plan, PLDT Beneficial Trust Fund and Asian Development Bank have fully redeemed their investments in the Fund.

Under SEC Rule 35-1, minimum subscribed and paid-in capital upon incorporation is PHP50 million. SEC may allow lower capitalization for new funds to be managed by the same fund manager upon request.

At present, the Fund has an authorized capital stock of One Billion Eight Hundred Twenty Six Million Three Hundred Nineteen Thousand Four Hundred Forty Pesos (PHP1,826,319,440.00) divided into One Billion Eight Hundred Twenty Six Million Three Hundred Nineteen Thousand Four Hundred Forty (1,826,319,440) common shares with a par value of One Peso (PHP1.00) per share.

Track record of registration of securities with SEC: 1) 200,000,000 shares @ P1.00 par value approved on 4/3/96; 2) 1,000,000,000 shares @ P1.00 par value approved on 4/23/96; 3) 626,319,440 shares @P1.00 par value approved on 4/30/14.

On June 25, 2015, the shareholders at its annual meeting approved the change of name from ATRKE Philippine Balanced Fund, Inc. to ATRAM Philippine Balanced Fund, Inc. The change of name was approved by the SEC on August 28, 2015.

Under the previous Rules and Regulations governing Investment Companies under Republic Act No. 2629, the founding shareholders were not allowed to sell, transfer, convey, encumber, or otherwise dispose of their shares within twenty-four (24) months. However, the period was reduced to twelve (12) months from registration of the Fund under ICA Rule 35-1 (The Investment Company Rule), which took effect on May 12, 1998.

DESCRIPTION OF THE BUSINESS – THE FUND

The Fund is an open-end investment company (also known as a "mutual fund") regulated by the SEC. A mutual fund's principal business is to sell its shares of stock to the investing public; investors subscribe to a mutual fund's shares in order to realize favorable returns on their investment; in turn, the mutual fund pools investors' monies into a portfolio which seeks to satisfy investors' expectations.

The Fund's investment objective is to seek total return through current income and long-term capital growth through investment in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities. SEC Memorandum Circular No. 7 Series of 2005 or the "Guidelines on the Evaluation of Foreign Investments by Mutual Fund Companies" allows mutual fund companies to invest up to 100% of its assets in foreign securities.

The shares will be offered over-the-counter on a continuous basis at the current NAVPS. Upon redemption of any of these shares, the shares redeemed will again be offered over-the-counter since the shares are not listed in an organized exchange.

The Fund will be valued using the mark-to-market basis in accordance with PFRS 9. Thus, the NAV of the Fund will fluctuate with changes in the market value of the Fund's investments. Such changes in the market value may occur as a result of various factors including material changes in the Fund, general economic conditions or interest rate and foreign exchange policy changes.

The Fund has financial assets in the form of cash, equities and fixed income only. The Fund does not own, lease or intend to acquire real properties in the next twelve (12) months. Properties such as those used for day-to-day office operations are owned or leased by the Investment Adviser. Therefore, there are no current pending legal proceedings or contemplated legal proceedings concerning the Fund's properties.

There are no government approvals needed for the Fund to operate as a mutual fund except for registration with the SEC pursuant to the Securities Regulation Code ("SRC"), the Investment Company Act and the Corporation Code. With regard to certain government regulations which affect the operation of the Fund, the National Internal Revenue Code of 1997, as amended, and the regulations of the SEC govern the tax liabilities and the reportorial requirements of the Fund.

The industry in which the registrant is selling or expects to sell its products or services is the mutual fund industry. As of September 30, 2016, there are about 57 active mutual funds in the industry – subdivided into Stock/Equity Funds, Balanced Funds, Bonds Funds (Peso and Foreign-Denominated) and Money Market Funds. The industry is highly concentrated. The Fund competes with other mutual funds managed by other fund managers operating in the Philippines. Based on disclosures by the Philippine Investment Funds Association, Inc. ("PIFA"), the local mutual fund industry organization, all domestically-domiciled mutual funds had net assets under management ("Net AUM") of close to PHP 247.2 Billion at the end of September 2016.

The various fund families are ranked below:

Mutual Fund Families (Net AUM in PHP millions)	No. of Funds as of Sep. 30, 2016	Net AUM		Attribution of YTD Change in Net AUM		
		Sep. 30, 2016	Dec. 31, 2015	Net Subscriptions	Revaluation	Total Change in AUM
BPI	8	103,821,281,941	97,242,442,785	1,983,937,479	(4,594,901,676)	65.8%
ATRAM	7	6,058,599,530	7,014,739,139	(1,817,506,266)	(861,366,556)	-13.6%
FirstMetro*	6	11,746,327,898	13,412,207,808	(1,816,632,210)	(150,752,300)	-12.4%
Philam	9	54,221,149,308	46,457,468,458	4,168,462,368	(3,595,218,482)	16.7%
Philequity	5	17,964,237,575	16,711,117,741	(256,530,954)	(1,509,650,788)	7.5%
Sunlife	11	48,926,873,479	50,661,479,325	(4,732,600,639)	(2,997,994,793)	-3.4%
Cocolife	3	2,240,372,385	2,177,511,844	(65,672,436)	(128,532,977)	2.9%
Grepalife	3	752,041,123	937,741,279	(223,580,501)	(37,880,344)	-19.8%

ATRAM Philippine Balanced Fund, Inc.

Soldivo	2	940,998,734	673,851,983	229,591,674	(37,555,078)	39.6%
MAA	2	4,859,163	4,953,857	(137,983)	(43,289)	-1.9%
BDO**	1	498,060,477	574,292,814	(113,968,671)	(37,736,333)	-13.3%
Inactive Funds	4***					
Total	61	247,174,801,613	235,867,807,033	(2,644,638,139)	(13,951,632,616)	9.07%

*Includes Exchange Traded Fund

** Fund was previously managed by Philam Asset Management

***includes Paradigm Global Growth Fund, Inc.

Source: PIFA

The registrant will compete in the Balanced Fund sector of the local mutual fund industry. The principal methods of competition will be price, service and investment performance. The principal competitors of the registrant in the said sector will be the First Metro Save and Learn Balanced Fund, Inc. (managed by First Metro Investment Corporation), Philam Fund, Inc. (managed by Philam Asset Management) and Sun Life Prosperity Balanced Fund, Inc. (managed by Sunlife Asset Management).

Sources of competitive advantage are investment performance, which ultimately drives the direction of the fund price, and customer service, which is marked by regular updates and client information briefings geared at keeping the investors abreast of market developments. Marketing strategies in bringing the product to the public hinge on a strong alliance with identified institutional partners having robust distribution platforms.

Investor demand for mutual funds is expected to grow in the coming years on the back of favorable economic prospects (hence increased household savings), increasing public awareness of mutual funds as viable and well regulated investment vehicles, and the implementation of the Personal Equity Retirement Act of 2008 which encourages tax-paying individuals to build personal pension accounts.

The Fund does not have employees and does not anticipate having employees within the next 12 months, other than its corporate officers disclosed herein.

CAPITALIZATION

The Fund has an authorized capital stock of One Billion Eight Hundred Twenty Six Million Three Hundred Nineteen Thousand Four Hundred Forty Pesos (PHP1,826,319,440.00) divided into One Billion Eight Hundred Twenty Six Million Three Hundred Nineteen Thousand Four Hundred Forty (1,826,319,440) common shares with a par value of One Peso (PHP1.00) per share.

The Board of Directors at its meeting on August 16, 2013 and by the shareholders at their meeting on September 17, 2013 approved the increase in authorized capital stock from 1.2 Billion shares to up to 10 Billion shares with a par value of One Peso (PHP1.00) per share to be registered in tranches with SEC.

On March 5, 2014, SEC has approved the increase of authorized capital stock (1st tranche) of the Fund in the amount of Six Hundred Twenty Six Million Three Hundred Nineteen Thousand Four Hundred Forty Pesos(P626,319,440.00) divided into Six Hundred Twenty Six Million Three Hundred Nineteen Thousand Four Hundred Forty (626,319,440) shares at PHP1.00/share.

MARKET PRICE AND DIVIDENDS ON REGISTRANT’S COMMON EQUITY AND RELATED SHAREHOLDER MATTER

The Fund has 2,125 shareholders which consist of 2,101 individuals and 24 institutions. Total common shares outstanding as of September 30, 2016 are 886,675,896.60.

As of March 20, 2017, the top 20 shareholders of the Fund were the following:

	Investor’s Name	Outstanding Shares	Percentage Ownership
1	CITICORP FINANCIAL SERVICES AND INSURANCE BROKERAGE PHILIPPINES, INC. FOR ACCOUNT OF CLIENTS (note: there are no shareholders owning 5% or more)	545,361,393	61.5062%
2	LIFEBANK FOUNDATION, INC.	113,132,894.68	12.7591%
3	MERALCO PENSION FUND	19,999,900.00	2.2556%
4	RCBC SAVINGS BANK TRUST SERVICES DIVISION (note: no shareholder owning 5% or more)	15,518,824.06	1.7502%
5	ATRAM TRUST CORP. AS INVESTMENT MGR FOR 16-IM-67	10,573,649.62	1.1925%
6	ASIANLIFE AND GENERAL ASSURANCE CORP.	10,216,215.30	1.1521%
7	PNB REGULAR RETIREMENT FUND	9,999,900.00	1.1277.%
8	DOSCH, REBECCA A.	9,607,217.78	1.0835%
9	COL FINANCIAL GROUP, INC.	8,691,279.00	0.9802%
10	MAYBANK PHILIPPINES TRUST DEPT. FAO VARIOUS CLIENTS (note: there are no shareholders owning 5% or more)	7,206,386.87	0.8127%
11	EASTBRIDGE HOLDINGS, INC.	7,009,985.37	0.7905%
12	BDO PRIVATE BANK INC. - WEALTH ADVISORY & TRUST GROUP AS FIDUCIARY, FOR VARIOUS TRUST AND INVESTMENT MGT. ACCTS. (note: there are 7 shareholders owning 5% or more)	6,392,014.45	0.7208%
13	CHINA BANK SAVINGS – TRUST DEPT.	6,297,305.97	0.7102%
14	CONSUNJI, RACHEL C. [AND/OR] LIM, GRETCHEN MACARIA PILAR C.	5,493,800.62	0.6195%
15	VENEZUELA, JR., JOSE M.	5,306,303.65	0.5984%
16	TORRES, BARTHOLOMEW M.	4,115,313.71	0.4641%
17	HOME GUARANTY CORPORATION PROVIDENT FUND	3,657,235.56	0.4124%
18	BASCO, ASUNCION L. [AND/OR] FERRER, PATRICIA ELISA B.	2,775,886.34	0.3130%
19	DAVILA, CRISTINA H. [AND/OR] DAVILA, JAIME B.	2,691,502.93	0.3035%
20	MONTILLANO, FRANCISCO E. (AND/OR) MONTILLANO, ANA CRISTINA N.	2,123,232.41	0.2394%

The shares of the Fund are sold over-the-counter. The Fund’s common shares are available through the Principal Distributor and other registered representatives and eligible securities dealers that have entered into an agreement to sell shares with the Fund.

Only sales agents who are holders of a Certified Investment Solicitor license issued by SEC are allowed to sell mutual fund shares.

Quarterly Performance

Quarterly NAVps Performance				
NAVps (PHP)	1 st Quarter (Mar'16)	2 nd Quarter (Jun'16)	3 rd Quarter (Sep'16)	4 th Quarter (Dec'16)
Highest	2.2374	2.3358	2.4233	2.3661
Lowest	1.9769	2.1994	2.3345	2.1683
Closing	2.2316	2.3358	2.3587	2.2167

Quarterly NAVps Performance				
NAVps (PHP)	1 st Quarter (Mar'15)	2 nd Quarter (Jun'15)	3 rd Quarter (Sep'15)	4 th Quarter (Dec'15)
Highest	2.4133	2.3882	2.3170	2.2497
Lowest	2.3539	2.2606	2.1497	2.0991
Closing	2.3739	2.2734	2.1529	2.1335

Quarterly NAVps Performance				
NAVps (PHP)	1 st Quarter (Mar'14)	2 nd Quarter (Jun'14)	3 rd Quarter (Sep'14)	4 th Quarter (Dec'14)
Highest	2.1888	2.2637	2.3147	2.3641
Lowest	2.0797	2.1820	2.2267	2.2780
Closing	2.1343	2.2426	2.3096	2.3494

Quarterly NAVps Performance				
NAVps (PHP)	1 st Quarter (Mar'13)	2 nd Quarter (Jun'13)	3 rd Quarter (Sep'13)	4 th Quarter (Dec'13)
Highest	2.1885	2.3190	2.2431	2.1983
Lowest	1.9634	2.0564	2.0930	2.0734
Closing	2.1885	2.1558	2.1276	2.1022

DIVIDEND AND DIVIDEND POLICY

Each shareholder has a right to any dividends declared by the Fund. The basis of this declaration will depend upon the earnings, cash flow and financial condition of the Fund and will follow the requirements of SEC Memo #11 Series of 2008 re: Guidelines on the determination of retained earnings available for dividend declaration and the requirement of the local Corporation Code which requires Philippine corporations 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.

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. The exception to this is to distribute 100% of its surplus profits in excess of 100% paid-up capital as cash dividends to shareholders. The Board of Directors of the Fund may amend this dividend policy as condition warrants. The Fund has not declared any cash dividends in the last two (2) fiscal years. There are no restrictions on the ability to declare dividends in the future.

DESCRIPTION OF SHARES

Each share of common stock of the Fund has voting rights equal to every other outstanding common share of stock. The common shares of the Fund have the following additional features:

(1) Distribution of Dividends

Each shareholder has a right to any dividends declared by the Fund. There are no current or future restrictions that would limit the ability to pay such dividends on the Fund's common equity.

(2) Denial of Pre-emptive Rights

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

(3) Right of Redemption

When the holder redeems his or her shares in the Fund, he or she is entitled to receive by way of redemption, approximately his or her proportionate share of the cash equivalent of the Fund's current net assets.

DFFS (Deposit for Future Subscription) holders are not entitled to the following : i) the right to notice and to vote at meetings of stockholders; ii) the right to receive dividends; iii) the right to be included in the determination of quorum at meetings of stockholders; iv), in general the right to exercise the rights and privileges of shareholders granted under existing laws and regulations; and v) investors under DFFS have the Right of Redemption only and can be exercised only upon approval and issuance of SEC of the Certificate of Increase of Authorized Capital Stock.

There are no other material rights of common shareholders.

OTHER PROVISIONS

1. The Fund's shares will not be offered for the account of security holders.
2. The Fund's shares will not be offered other than for cash.
3. The Fund does not own any real properties and does not intend to acquire any real properties within the next twelve (12) months.
4. The Fund does not have any subsidiaries.
5. There is no public trading market for the Fund.
6. There is no underwriter for the offering and issuance of the Fund's shares.
7. There are no provisions in the Fund's Articles of Incorporation or By-Laws that would delay, defer or prevent a change in control of the Fund.
8. The Fund's shares will not be offered pursuant to a dividend or interest reinvestment plan, the terms of which provide for the purchase of some securities on the market.
9. Under the Fund's By-Laws, the Board of Directors has the power to declare compensation, honoraria or per diems payable to directors. Starting April 2011, the Fund pays each of its directors a per diem of PHP5,000 for each Board/Committee and annual Meetings attended.

10. The Fund is not a party to any material pending legal proceedings.
11. There are no discounts to be allowed to brokers or dealers.
12. There are no arrangements whereby the Investment Adviser has the right to designate or nominate a member or members of the Board of Directors of the Fund.
13. There are no shares designated to be sold to specified persons.
14. There are no persons holding more than 5% of a class under a voting trust or similar agreement.

RISK FACTORS

Mutual funds invest in a range of investments, each of which may carry a different level of risk. Mutual funds have the following general characteristics: returns may vary, an investor may lose money, and an investor cannot be certain that a given fund will achieve its investment objective.

Although the Fund seeks to preserve the value of its investments, it is possible for an investor to lose money by investing in the Fund. The value of a mutual fund will change from day to day according to the market value of the individual instruments and securities in the portfolio. A fund's component investments fluctuate in value for a number of reasons such as economic conditions, including interest rates, inflation, and foreign exchange rates; political factors; conditions in the capital markets, corporate business competitiveness and financial health; government regulations and taxation. As a result, the Fund's NAVPS may at any time be worth more or less than when the investor purchased the shares.

The value of any mutual fund, including the Fund, is not guaranteed or insured by the Philippine Deposit Insurance Corporation (PDIC) or by any other public or private entity.

Past performance should not be seen as an indication of how a fund will perform in the future and does not provide a guarantee of future returns.

Below is an indicative list of risks associated with investing in the Fund. Although care is taken to understand and manage these risks, the Fund and accordingly the shareholders will ultimately bear the risks associated with the investments of the Fund.

▪ Capital Markets Risk

Capital Markets Risk is the risk that market prices of individual securities may fluctuate. This risk is generally divided into two components: unsystematic risks (i.e. issuer-specific risks) and systematic risks (i.e. market-related risks). Unsystematic risks emanate from economic development of issuers of securities while systematic risks encompass all other factors (outside of the specific issuer) and therefore subsume many of the other important risks identified later in this list of risks. Worth mentioning, however, is the specific contribution to systematic risk posed by market sentiment, which refers to the overall mood or psychological state of the majority of buyers and sellers within a given capital market. Investors react to government announcements, surveys, and other news about broad consumer inflation, prices of important commodities, business and consumer confidence, demand growth or contraction, and employment. An increase in the number of sellers, together with the absence or shortage of buyers, could depress the price of a security.

To manage capital markets risk, the Fund will continuously employ fundamental company analysis, technical analysis (i.e. the use of charts to forecast price trends), analysis of industries and sectors, and analysis of country and global macroeconomic conditions. The Fund will rely on quantitative analysis to measure historical risk and performance of its own portfolio. Whenever warranted, the Fund will rebalance its portfolio to adapt to day-to-day changes and/or longer-term trends in the capital markets.

▪ Liquidity Risk

Liquidity risk is the risk that an investment may not find a ready buyer for its investments or that securities may have to be disposed at a substantial loss. In general, the Fund manages its investments, including

cash, such that it can meet liabilities. One of the Fund's main liabilities is the servicing of redemption of shares. There is a possibility for an investor to experience losses due to the inability of the Fund to sell or convert assets into cash immediately or in instances where the conversion to cash is possible but at a loss. These may be caused by different reasons such as trading in securities with small or few outstanding issues, absence of buyers, limited buy/sell activity or underdeveloped capital market. Liquidity risk occurs when certain securities may be difficult or impossible to sell at a particular time. Even government securities which are the most liquid of fixed income securities may be subjected to liquidity risk particularly if a sizeable volume is involved.

To reduce this risk, the Fund avoids investing in securities which do not have a ready market or stocks which have a small market capitalization. In addition, at least 5% of the Fund's NAV is maintained in liquid/semi-liquid assets.

▪ **Interest Rate Risk**

Interest Rate Risk refers to the volatility of bond prices that results from changes in interest rates. Share prices respond inversely to movements in interest rates. If bonds are purchased and interest rates subsequently rise, then the prices of purchased bonds will decline. Lower interest rates, on the other hand, adversely affect the yield on money market instruments and funds. Interest rates are affected by various factors and are difficult to predict especially over the long term.

To mitigate the impact of interest rate risk on the Fund's entire portfolio, local and international economic, capital markets and political trends will need to be continuously monitored. In particular, the Fund shall stay abreast of changes in the term structure of interest rates (also known as the "yield curve"). The Fund will diversify its portfolio accordingly, and may also resort to hedging techniques from time to time.

▪ **Credit or Default Risk**

Credit risk is the possibility that a borrower or debt issuer may not be able to fully service interest payments and/or repay principal on the promised dates. In the case of a national government, it may not possess enough foreign currency reserves to meet foreign currency-denominated obligations, and its credit rating may not be high enough to attract sufficient refinancing of maturing debts. In the case of corporate borrowers, the underlying operating cash flows may not be sufficient to service interest and principal repayments.

To shield its portfolio against excessive default risk, the Fund will strive to maintain judicious diversification of individual debt instruments and securities of various credit ratings. The Fund will also undertake its own periodic evaluation of issuers' credit quality (also known as "creditworthiness"), i.e. by analyzing issuers' profitability and cash flows; competitive or institutional strengths, weaknesses, opportunities and threats; the robustness of borrowers' balance sheets and financial conditions or fiscal positions; and their strategic plans and management capabilities. The Fund shall likewise periodically assess exposure limits per borrower/issuer so as to avoid over-concentration of credits. Where appropriate, the Fund shall also rationalize the duration of its exposures and manage concentration across sectors and the various credit categories (i.e. sovereigns, corporate, municipal, etc.)

▪ **Reinvestment Risk**

Although declining interest rates are mainly beneficial to market prices of debt securities, an environment of falling interest rates comes with a downside, in the form of reinvestment risk. Reinvestment risk is defined as the difficulty of finding investment vehicles which would provide comparable yields or rates of return for interest or dividends received or proceeds of matured debt instruments or securities.

To mitigate the impact of this risk, the Fund shall mainly resort to the same measures employed in managing interest rate risk.

Another potential tool for alleviating reinvestment risk is the purchase of so-called "insurance" in the form of zero-coupon bonds. These bonds do not have periodic coupon payments which need to be reinvested.

▪ **Sector Risk**

Sector Risk arises whenever a portfolio has concentrated exposure in some particular industry or sector. Sector concentration exposes a portfolio to cyclical downturns in that sector, new regulatory restrictions, industry scandals, new industry opportunities, disruptive technological innovation, developments in the supply chain or consumer demographics, and shifting dynamics and rankings within an industry due to consolidation (i.e. mergers and acquisition).

The Fund may bear significant sectoral risk from time to time, either as a result of a deliberate decision to take opportunities in industries anticipated to perform well, or merely as a consequence of the Fund's individual security selection. In managing sector risk, the Fund will monitor sectoral concentration and evaluate whether or not to maintain or adjust said concentration upwards or downwards.

▪ **Currency Risk**

Volatility in currency exchange rates adds a layer of risk and complexity. If economic or political confidence in a given country abruptly deteriorates, an ensuing depreciation in that country's currency may serve to magnify any intrinsic weakening in that country's stock market values. To address this concern, the Fund needs to monitor the health of key countries' economies and political situations, and also said countries' cross-border trade and capital flows. This constant evaluation would drive how the Fund will diversify its portfolio and employ hedging techniques.

▪ **Management Risk**

Management Risk is the risk that a portfolio manager will not be able to fulfill the investment objectives of an actively managed portfolio. Investment decisions are made by portfolio managers who may commit mistakes from time to time by selecting a laggard security or misallocating the assets of the Fund. These errors in judgment can result in the Fund's underperformance or possibly a decline in value or loss.

To mitigate this risk, the Fund will be managed by ATRAM, a seasoned asset manager with consistent performance record over a prolonged period of time.

▪ **Operational Risk**

Operational Risk refers to risk of loss, both monetary and reputational, arising from inadequate internal processes, people, systems or from external events. For example, transactions of the Fund may not be completed due to failure to submit documents required by counterparties or due to adverse weather conditions. Another is the erroneous calculation of NAV resulting from wrong data entry into the system.

The Fund's service providers, ATRAM, Deutsche Bank, and Citibank, have considerable experience in fulfilling their respective functions (i.e. as Investment Adviser, Transfer Agent, Fund Accountant, Custodian) and have policies in place to manage operational risks. These include maker-checker structures, regular reconciliation of positions, maintaining back-up files of electronic data, and regular audits conducted by internal and external parties.

▪ **Risk of Dilution**

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

USE OF PROCEEDS

The proceeds from the sale of the Fund's shares shall be invested and reinvested mainly in a diversified portfolio of listed equity and fixed income securities of Philippine companies and debt obligations of the

Government of the Republic of the Philippines and its instrumentalities. The Fund may also invest a portion of its portfolio in securities issued by non-Philippine entities as may be allowed by the SEC, subject to SEC Memo Circular No. 7, series of 2005 “Guidelines on the Evaluation of Foreign Investments by Mutual Fund Companies”, which allows mutual fund companies to invest up to 100% of its assets in foreign securities and SEC Memo Circular No. 10, series of 2006 regarding foreign investments.

The Investment Adviser shall be guided by the Fund's investment policies and legal limitations on investment. In particular, the Fund shall not invest more than fifteen percent (15%) of its NAV in instruments and securities from any single issuer or enterprise except obligations of the Philippine Government and its instrumentalities nor shall the total investment of the Fund exceed ten percent (10%) of the outstanding securities of the investee company (SEC Memo Circular No. 12, Series of 2013 dated 7/9/13).

For purposes of liquidity, at least five percent (5%) of the Fund's assets shall be invested in liquid/semi-liquid assets (SEC Memo Circular No. 12, Series of 2013 dated 7/9/13). No material amount of the net proceeds is to be used to acquire assets or finance the acquisition of other businesses. The net proceeds will not be used to discharge debt or reimburse any officer, director, employee or shareholder for services rendered, assets previously transferred, monies loaned or advanced or otherwise.

The Custodian Bank shall hold all proceeds from the sale of shares including those deposited by clients into the Fund’s account in the deposit-taking or receiving banks opened for the purpose of accepting subscription deposits from clients.

DETERMINATION OF OFFERING PRICE

For purchase of shares, the offering price is the NAVPS at the close of business on the day that cleared funds or deposits and investment application documents are received in good order by the Transfer Agent on or before 3:15 p.m. After 3:15 p.m., the order is deemed to have been received the following business day, and the offering or subscription price will be the NAVPS determined at the close of business on the next business day.

The NAV of the Fund will fluctuate with changes in the market value of the Fund’s investments. Such changes in market value and offering price may occur as a result of various factors, including material changes in the Fund, general economic conditions or interest rate and foreign exchange policy changes will affect its offering price.

Shares of the Fund are offered for sale on a continuous basis at the current NAVPS through the Fund and its registered representatives and dealers. There is no public trading market for these shares.

THE BOARD OF DIRECTORS AND OFFICERS

The following are the Fund's incumbent directors and officers:

Name	Age	Citizenship	Position	Date of Appointment
Mr. Eulogio A. Mendoza	67	Filipino	Chairman and President	June 30, 2016
Ms. Modesta P. Mammoad	64	Filipino	Director and Treasurer	June 30, 2016
Mr. Cesar C. Zulueta	58	Filipino	Independent Director	June 30, 2016
Mr. Rufo B. Colayco	75	Filipino	Director	June 30, 2016
Mr. Gerald D. Baldivia	51	Filipino	Director	June 30, 2016
Mr. Jose Alberto T. Alba	51	Filipino	Independent Director	June 30, 2016
Mr. Manolo C. Fernando	60	Filipino	Director	June 30, 2016
Atty. Ma. Alicia G. Picazo-San Juan	45	Filipino	Corporate Secretary	June 30, 2016
Atty. Lyne L. Arnaldo-Vega	38	Filipino	Assistant Corporate Secretary	June 30, 2016
Mr. Manuel. I. Briones	64	Filipino	Compliance Officer	June 30, 2016

Eulogio A. Mendoza, 67 years old, Filipino, has been the Chairman of the Board and President of the Company since 2010. He is Chairman and President of the ATRAM Philippine Equity Opportunity Fund, Inc. (since 2004)

and ATRAM Alpha Opportunity Fund, Inc. since 2005; Chairman and President of ATRAM AsiaPlus Equity Fund, Inc. and ATRAM Total Return Dollar Bond Fund, Inc. since 2009. He is also a Director of the ATRAM Corporate Bond Fund, Inc. and the ATRAM Dynamic Allocation Fund, Inc. since 2011 and became Chairman and President in August 2016. He is concurrently the President and Chief Executive Officer of AsianLife and General Assurance Corporation (2003-present). He was formerly a Director of ATR Asset Management, Inc. (2005-2016) formerly ATR KimEng Asset Management Inc. He was formerly a member of the Board of Directors of PhilamCare Health Systems, Inc. (1989-1992), Philam Plans, Inc. and Pan Philippine Life Insurance Corp. (1992-1998). His prior work experience in the insurance industry includes his having been Vice President of the Philippine American Life Insurance Company, Inc. (an AIG company) (1988-1992), President and CEO of GE Life Insurance Company (1998-2001) (now Asian Life and General Assurance Corporation). He was formerly a Director and Co Vice-Chairman of Asianlife Financial Assurance Corp. (2003-2012). He earned the title Fellow, Life Management Institute (FLMI) from the Life Office Management Administration (LOMA). He obtained his Master of Arts in Business Administration from the Ateneo de Manila Graduate School of Business and both his Master of Arts in Philosophy (cum laude) and Bachelor of Science in Philosophy (cum laude) from the University of Santo Tomas.

Modesta P. Mammoad, 64 years old, Filipino, has been the Treasurer of the Company since 2005 and elected as Director of the Company in June 2016. She is currently the Executive Vice President and Chief Financial Officer of AsianLife and General Assurance Corporation, Treasurer (1999-present). She is Director and Treasurer of ATRAM Philippine Equity Opportunity Fund, Inc. and ATRAM Alpha Opportunity Fund, Inc. (2005-present), ATRAM AsiaPlus Equity Fund, Inc. and ATRAM Total Return Dollar Bond Fund, Inc. (2009-present). She has also been a director of ATRAM Dynamic Allocation Fund, Inc. and ATRAM Corporate Bond Fund, Inc. since 2011. She has over 20 years of experience in financial management and operations. She has handled several positions within the GE affiliates (GE Philippines, GE Lighting in the Philippines and Indonesia, and GE Life Insurance Company) (1974-1995) and served as a member of the Finance Council of GE Companies in the Philippines. She was formerly a member of the Board of Directors of AsianLife Financial Assurance Corporation (1999-2012). She is a Certified Public Accountant. She obtained her MBA for Middle Managers from the Ateneo Graduate School of Business and Bachelor of Science in Commerce (magna cum laude) from Angeles University.

Cesar C. Zulueta, 58 years old, Filipino, is an Independent Director of the Fund. Mr. Zulueta has over 30 years of experience in banking and asset management. He is currently an Independent Director of the ATRAM Alpha Opportunity Fund and ATRAM Philippine Equity Opportunity Fund, ATRAM Total Return Dollar Bond Fund, and ATRAM AsiaPlus Equity Fund (June 2016-present). He is also an Independent Director of ATRAM Dynamic Allocation Fund and ATRAM Corporate Bond Fund (August 2016-present). He started his career at Bank of the Philippine Islands as a management trainee, holding various positions the last being Chief Dealer of the Treasury Group. He moved to the Treasury Department of ING Bank Manila in 1992 and later became the Treasurer of the bank. He took on a new role as CEO of ING Investment Management, Philippines from 2004 to 2010. Cesar has since worked on consultancy projects with Asian Development Bank and the Philippine Dealing System. Cesar is an alumnus of the University of the Philippines with a Bachelor of Science degree in Industrial Engineering. He also has a Master of Business Administration degree from the Asian Institute of Management.

Rufo B. Colayco, 75 years old, Filipino, is a Director of the Fund since 2006. He has also been Independent Director of the ATRAM AsiaPlus Equity Fund, Inc. and ATRAM Total Return Dollar Bond Fund Inc., Inc. (2012 to present), ATRAM Dynamic Allocation Fund, Inc. and ATRAM Corporate Bond Fund, Inc. (August 2016-present) and Director of ATRAM Alpha Opportunity Fund, Inc. as well as ATRAM Philippine Equity Opportunity Fund Inc. since June 2016 and previously an Independent Director (2012- June 2016). He is President and CEO of Metro Clark Waste Management Corp. since 2013. He is also Chairman of the Board of C5 Mansion Development Corp. since 2011. He was formerly connected with the following corporations: Bases Conversion Development Authority from March 2002 to October 2004 as President and CEO; Clark Development Corporation and Clark International Airport Corporation from July 1998 to January 2000 as President and CEO; Argosy Partners, Inc. in 1998 as Co-Founder and Director; Kuok Group of Companies in the Philippines, as CEO and Kerry Trading Co. Ltd., Hong Kong as Director from 1989 to 1997; SGV-Arthur Andersen Centre for Asia-Pacific Business, Hong Kong from 1987 to 1989 as Managing Director; SGV & Co., Manila, Philippines from 1972 to 1987 as Managing Director, Project Development Services Division (1981-1987), as Partner, Management Services Division (1974-1981) and Manager, Management Services Division (1972-1974); United Brands, Boston,

Massachusetts, U.S.A., Management Science Division as Staff Member from 1970 to 1971; Engineering Equipment, Inc., Manila Philippines, as Procurement Manager from 1965 to 1968; and Procter & Gamble Phils. Mfg. Corporation, Manila Philippines as Packaging Materials Buyer, Copra/Coconut Oil Trader from 1962 to 1965. Mr. Colayco earned his Bachelor of Arts in History and Government from the Ateneo de Manila University in 1962 and his Master in Business Administration from Harvard University (U.S.A.) in 1970. He is a member of the Harvard Business School Association of the Philippines.

Gerald D. Baldivia, 51 years old, Filipino, is a Director of the Fund since June 2016. Due to SEC advised he had relinquished his Independent Directorship from the Fund (June 2012-June 2016). He is also a Director of ATRAM AsiaPlus Equity Fund, Inc. and ATRAM Total Return Dollar Bond Fund, Inc. since September 2009; in the ATRAM Dynamic Allocation Fund, Inc., ATRAM Corporate Bond Fund, Inc. and ATRAM Alpha Opportunity Fund, Inc. since June 2011. Carillion Consulting Corp. as Board Director, President and Managing Director since June 2012. He also an Independent Director of Raymond Pawnshop, Inc. since April 2011. He is also the Managing Director of Angeon Advisors, Ltd. (September 2012-present) and Director, Wastergy Philippines Inc, (July 2014 to January 2016) and as President (July 2014 - present). He is a Certified Investment Solicitor of ATR KimEng Asset Management, Inc. (2007-present). From 2002 to 2006, he was an Investment Officer for the International Finance Corporation (a member of the World Bank Group). From 2000 to 2002, he was an Associate of the Research Department of SG Securities (Philippines), Inc., a unit of Societe Generale. Earlier, he held various positions in ATR KimEng Securities, Inc., Peregrine Securities Philippines, Inc., the Trade and Political Risk Division of AIG (during which time he was based in New York City), and Far East Bank and Trust Company. He was a former member of Fund Manager Association of the Philippines (2010-2012). He obtained an MBA in Finance and Marketing from the Columbia Business School in New York, U.S.A. and a Bachelor of Science in Business Administration (cum laude) from the University of the Philippines (Diliman, Q.C.).

Jose Alberto T. Alba, Filipino, 51 years of age, is an Independent Director of the Fund since June 2016. He was formerly the Chairman of the Board of the ATRAM Corporate Bond Fund (June 2004-August 2016) and of ATRAM Dynamic Allocation Fund, Inc. (September 2006-August 2016) and became regular Director of the same Funds in June 2016. He is currently an Independent Director of the ATRAM Philippine Equity Opportunity Fund, Inc. and ATRAM Alpha Opportunity Fund, Inc. He was elected as Independent Director ATRAM AsiaPlus Equity Fund, Inc. and ATRAM Total Return Dollar Bond Fund, Inc. June 2016 but only took his seat on December 27, 2016 upon approval by SEC of the increase in the number of Board seats to 7. He is currently the President and Director of Prudential Life Plan Group, Inc. Tophealth Medical Clinics, Inc. and Director of Maserpragma Inc. He is also a Director of the following companies: Prudentiallife Memorial Park, Inc., Cebu Rolling Hills Memorial Chapels, Inc., Prudentiallife Travel Services, Inc. and Akean Resorts Corporation. He also used to work at Far East Bank and Trust Company as a Senior Analyst of the Credit and Investment Research Group from 1986 to 1987. He was formerly the Senior Vice-President/Treasurer and Director of Prudential Life Plans, Inc. (1987-2001). He is a Fellow of the Financial Service Institute and an Associate of the Annuity Product Administration of Life Office Management Association (LOMA), USA. Mr. Alba graduated from Ateneo de Manila University with a degree in Bachelor of Science Management Engineering.

Manolo C. Fernando, 60 years old, Filipino, is a Director of the Fund since 2009. He is currently an Independent Director of the ATRAM Dynamic Allocation Fund, Inc. and ATRAM Corporate Bond Fund, Inc. (August 2016-present). He was elected as Director ATRAM AsiaPlus Equity Fund, Inc. and ATRAM Total Return Dollar Bond Fund, Inc. June 2016 but only took his seat on December 27, 2016 upon approval by SEC of the increase in the number of Board seats to 7. He is also a Director ATRAM Philippine Equity Opportunity Fund, Inc. and ATRAM Alpha Opportunity Fund, Inc. (June 2016-present) He was formerly the Vice-President & Assistant Treasurer and Head of Treasury Services at Manila Electric Company ("MERALCO") (December 2001-2014). He is incumbent Director of MERALCO Financial Services Corporation ("FINSERVE") since March 2004 and FINSERVE President since January 2013; Board Director of Customer Frontline Solutions, Inc. formerly Outsourced Teleserv Corp. since October 2007; Board Director of Miescor Logistics Corp. formerly Landbees Corp. since December 2010; Treasurer of Meralco Energy, Inc. since 2012; Treasurer of Meralco Industrial Engineering Services Corp. (MIESCOR) since 2011; Treasurer of e-Meralco Ventures, Inc. since October 2011; and Treasurer of Paragon Vertical Corporation/Radies Telecoms, Inc. formerly Tangent Networks, Inc. since October 2011. He is a former Chairman, Public Affairs Committee of Financial Executives Institute of the Philippines (2005-2007) and member since 2004. He obtained his Master of Business Administration at Ateneo de Manila Graduate School of Business (1992) and his Bachelor of Science in Psychology, University of the Philippines in 1979 and secondary and elementary school at Ateneo de Manila, 1974.

OFFICERS OF THE FUND

Eulogio A. Mendoza, 67 years old, Filipino, has been the Chairman of the Board and President of the Company since 2010. He is Chairman and President of the ATRAM Philippine Equity Opportunity Fund, Inc. and ATRAM Alpha Opportunity Fund, Inc. since 2004; Chairman and President of ATRAM AsiaPlus Equity Fund, Inc. and ATRAM Total Return Dollar Bond Fund, Inc. since 2009. He is also a Director of the ATRAM Corporate Bond Fund, Inc. and the ATRAM Dynamic Allocation Fund, Inc. since 2011 and became Chairman and President in August 2016. He is concurrently the President and Chief Executive Officer of AsianLife and General Assurance Corporation (2003-present). He was formerly a Director of ATR Asset Management, Inc. (2005-2016) formerly ATR KimEng Asset Management Inc. He was formerly a member of the Board of Directors of PhilamCare Health Systems, Inc. (1989-1992), Philam Plans, Inc. and Pan Philippine Life Insurance Corp. (1992-1998). His prior work experience in the insurance industry includes his having been Vice President of the Philippine American Life Insurance Company, Inc. (an AIG company) (1988-1992), President and CEO of GE Life Insurance Company (1998-2001) (now Asian Life and General Assurance Corporation). He was formerly a Director and Co Vice-Chairman of AsianLife Financial Assurance Corp. (2003-2012). He earned the title Fellow, Life Management Institute (FLMI) from the Life Office Management Administration (LOMA). He obtained his Master of Arts in Business Administration from the Ateneo de Manila Graduate School of Business and both his Master of Arts in Philosophy (cum laude) and Bachelor of Science in Philosophy (cum laude) from the University of Santo Tomas.

Modesta P. Mammoad, 64 years old, Filipino, has been the Treasurer of the Company since 2005 and elected as Director of the Company in June 2016. She is currently the Executive Vice President and Chief Financial Officer of AsianLife and General Assurance Corporation, Treasurer (1999-present). She is Director and Treasurer of ATRAM Philippine Equity Opportunity Fund, Inc. and ATRAM Alpha Opportunity Fund, Inc. (2005-present), ATRAM AsiaPlus Equity Fund, Inc. and ATRAM Total Return Dollar Bond Fund, Inc. (2009-present). She has also been a director of ATRAM Dynamic Allocation Fund, Inc. and ATRAM Corporate Bond Fund, Inc. since 2011. She is also the Treasurer of ATRAM Philippine Balanced Fund, Inc. since 2011. She has over 20 years of experience in financial management and operations. She has handled several positions within the GE affiliates (GE Philippines, GE Lighting in the Philippines and Indonesia, and GE Life Insurance Company) (1974-1995) and served as a member of the Finance Council of GE Companies in the Philippines. She was formerly a member of the Board of Directors of AsianLife Financial Assurance Corporation (1999-2012). She is a Certified Public Accountant. She obtained her MBA for Middle Managers from the Ateneo Graduate School of Business and Bachelor of Science in Commerce (magna cum laude) from Angeles University.

Ma. Alicia G. Picazo-San Juan, 45, Filipino, is the Corporate Secretary of the Fund since June 2010. She has also been the Corporate Secretary of ATRAM Dynamic Allocation Fund, Inc. since June 2011. She is a Partner at Picazo Buyco Fider Tan & Santos Law Office. She obtained her Bachelor of Laws (cum laude) from the University of the Philippines and a B.S. Management, major in Legal Management (magna cum laude), from the Ateneo de Manila University. She also serves as the Corporate Secretary for ATR KimEng Asset Management, Inc., ATRAM Total Return Dollar Bond Fund, Inc., ATRAM AsiaPlus Equity Fund, Inc., ATRAM Philippine Equity Opportunity Fund, Inc., ATRAM Philippine Balanced Fund, Inc. and ATRAM Alpha Opportunity Fund, Inc. She has served as the Assistant Corporate Secretary of SSI Group, Inc. since June 2015. She is a member of the University of the Philippines Women Lawyers' Circle and the Financial Executives Institute of the Philippines (FINEX).

Lyne L. Arnaldo-Vega, 38, Filipino, is the Assistant Corporate Secretary of the Fund since June 2010. She has also been the Assistant Corporate Secretary of ATRAM Dynamic Allocation Fund, Inc. and ATRAM Dynamic Allocation Fund, Inc. since June 2011. She is a Partner at Picazo Buyco Fider Tan & Santos Law Office. She also serves as the Assistant Corporate Secretary for ATRAM Equity Opportunity Fund, Inc., ATRAM Alpha Opportunity Fund, Inc., ATRAM Total Return Dollar Bond Fund, Inc., and ATRAM AsiaPlus Equity Fund, Inc. since 2010. Prior to her legal career, she was connected with Software Ventures International as a Systems Analyst and Programmer. She obtained her Bachelor of Laws from the University of the Philippines and Bachelor of Science in Business Administration (cum laude) also from the University of the Philippines.

Manuel I. Briones, 64, Filipino, is the Compliance Officer of the Fund since 2009. He has also been the Compliance Officer of ATRAM Dynamic Allocation Fund, Inc. since June 2011. He has been the Compliance Officer for ATRAM since 2009. He is concurrently the Compliance Officer for the following Funds: ATRAM Philippine Equity Opportunity Fund, Inc. and ATRAM Alpha Opportunity Fund, Inc. (2009-present), ATRAM

AsiaPlus Equity Fund, Inc. and ATRAM Total Return Dollar Bond Fund, Inc. (2010-present). He joined ATRAM as Head of Operations in 1997 and became Executive Director for Operations in 2004. When he was appointed ATRAM's Compliance Officer with the same rank of Executive Director, he was required to relinquish his duties as Executive Officer for Operations and his Certified Investment Solicitor License. Earlier in his career, he worked for Citicorp Investment Philippines, where he held various positions, the last of which was Assistant Manager in the Credit Administration Department (1975-1985). He was later seconded to Citytrust Banking Corp. (1985-1992) as a result of Citibank NA's formation of a universal bank via merger of three of its local units (FNCB Finance, Citicorp and FEATI Bank). At Citytrust, he headed the Pre-Processing/Documentation Unit and the Accounting Unit of the Trust Banking Group, and was concurrently appointed Assistant Manager of Citytrust Securities Corp., a stock brokerage which he helped organize. He later moved to Asiatrust Development Bank as Trust Officer (1992-1995), and then to Insular Life Savings and Trust Company as Trust Operations Head (1995-1997). He was named one of the Ten Most Outstanding Employees of Makati by the Rotary Club of Makati in 1979. He holds an SEC license for Compliance Officers. He obtained his Bachelor of Commercial Science, major in Management, from Jose Rizal University.

Other than the directors and officers listed above, there are no other persons expected by the Fund to make a significant contribution to its business. The Fund's business is not highly dependent on the services of certain key personnel.

None of the directors and officers are related to each other up to the fourth civil degree, whether by consanguinity or by affinity.

The Fund does not anticipate having any employees within the next twelve (12) months, other than the corporate officers disclosed herein.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS (more than 5% as of March 20, 2017)

Title of Class	Name & Address of Record Owner & Relationship with the Fund	Name of Beneficial Owner and Relationship with Record Owner	Number of Shares Held	Percent of Class	Citizenship
Common	Citicorp Financial Services and Insurance Brokerage Philippines, Inc. For Account of Clients 20/F, Citisquare Building, 1 Eastwood Avenue, Eastwood City, Libis Quezon City Voting Representative: Mr. Lester Cruz Relationship with Fund: Major Shareholder	Same	545,361,393	61.51%	Filipino
Common	Lifebank Foundation, Inc. Gov. Fermin Caram St., Brgy. Ma. Clara, Iloilo City 5000 Voting Representative: Mr. Michael Goco	Same	113,132,895	12.76%	Filipino

Relationship with Fund:
Major Shareholder

Total	684,494,288	74.27%
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SECURITY OWNERSHIP OF MANAGEMENT/DIRECTORS (as of March 20, 2017)

The management of the Fund is contracted to the Fund Manager, which is a different corporate entity. Thus, what is presented below is the security ownership of the present directors and treasurer of the Fund as of March 20, 2017. Total shares owned as a group: 110,768.18 shares

Title of Class	Name and Address of Record/Beneficial Owner	Amount & Nature of Beneficial Ownership	Percent of Class	Citizenship
Common	Jose Alberto T. Alba 34 Derby St., White Plains Quezon City	109.01 (Record)	0.0000%	Filipino
Common	Eulogio A. Mendoza No. 33 Dona Ines St. Alabang Hills Village, Muntinlupa City	7,988 (Record/Beneficial)	0.0009%	Filipino
Common	Modesta P. Mammud 1 st Virginia Summerville, Mayamot, Antipolo City	81,439.16 (Record/Beneficial)	0.0092%	Filipino
Common	Rufo B. Colayco 23 Tolentino St. San Lorenzo Village, Makati City	1.00 (nominal)	0.0000%	Filipino
Common	Cesar C. Zulueta 806 Sanggumay St., Ayala Alabang Village, Muntinlupa City, Philippines	109.01 (Nominal)	0.0000%	Filipino
Common	Gerald D. Baldivia 2622 Rockefeller St., Brgy. San Isidro, 1234 Makati City.	21,022 (Record/Beneficial)	0.0022%	Filipino
Common	Manolo C. Fernando 37 Panay Avenue, Bgy. Paligsahan, Quezon City	100.00 (Nominal)	0.0000%	Filipino

COMPENSATION OF DIRECTORS

Other than the PHP5,000 which is paid to each Directors for every board, committee and annual meeting that they attend, the Directors do not receive regular salaries from the Company. The aggregate amount of per diems paid to the Director are as follows: December 31, 2015- PHP 50,000; December 31, 2014 – PHP75,000 ; and December 31, 2013 – PHP65,000. Total estimated aggregate per diem for fiscal year 2016 is PHP140,000.

The Company retains the law firm of Picazo Buyco Tan Fider & Santos Law Offices and is paying them legal and corporate secretarial fees which the Company believes to be reasonable for the services rendered. Fees paid as of December 31, 2015- PHP166,780.32; December 31, 2014 – PHP117,051.20 ; and December 31, 2013 – PHP116,480. No corporate secretarial fees are paid directly to any individual partner of the law firm.

Under the Corporation Code of the Philippines, shareholders of the Fund representing at least a majority of the Fund's outstanding capital stock may grant directors compensation other than per diems, which shall in no case exceed ten percent (10%) of the net income before tax of the Fund during the preceding year.

There are no arrangements, including consulting contracts, pursuant to which any director of the Fund is to be compensated, directly or indirectly, during the ensuing year for any service provided by a director.

There are no employment contracts between the Fund and the executive officers.

The Board is responsible for conducting all business of the Fund. It shall exercise general supervision over the duties performed by the Investment Manager, Distributor, Administrator, Transfer Agent and Custodian of the Fund.

INTEREST OF NAMED EXPERTS OR COUNSEL

The direct or indirect interest of named experts and independent counsel does not exceed PHP500,000.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

No director, nominee for election as a director, executive officer, distributor or control person of the Fund has been involved in the last five (5) years 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, subject to any conviction by final judgment in past or pending criminal proceedings, domestic or foreign, excluding traffic violations and any other minor offenses, or to any order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities and found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body or a domestic or foreign exchange or other organized trading market or self-regulatory organization to have violated a securities or commodities law or regulation.

Mr. Albert Alba, was an officer of Prudentiallife Healthcare, Inc. at the time a petition for the liquidation of such company was filed under the Financial Rehabilitation and Insolvency Act of 2010. The petition for liquidation is currently pending with the Regional Trial Court of Makati.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There is no proposed transaction to which the Fund is to be a party, in which any of the following persons is to have a direct or indirect material interest:

- (a) Any director or executive officer of the Fund;
- (b) Any nominee for election as a director;
- (c) Any security holder named under the heading "Security Ownership of Certain Record and Beneficial Owners";

- (d) Any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of the persons in items (a), (b), or (c) above.

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party transactions consist mainly of management and other fees paid in accordance with the management agreement with ATR Asset Management, Inc. formerly ATR KimEng Asset Management, Inc. as Fund Manager. Total fees (management, distribution, administration and transfer agent) paid by the Fund amounted to PHP59,888,665.55 in 2015; PHP47,238,725.04 in 2014; and PHP18,133,951.77 in 2013. Total fees paid by the Fund as of June 30, 2016 amounted to PHP22,523,072.48

INVOLVEMENT OF MANAGEMENT OR DIRECTORS IN COMPANIES IN WHICH THE FUND WILL BE DEALING

Mr. Jose Alberto T. Alba, an Independent Director of the Fund, is also the Chairman and Director of Bonds, Equities, Securities and Traders, Inc. (B.E.S.T., Inc.), a selling agent of the Fund. Mr. Manuel I. Briones is the Compliance Officer of both the Fund and ATRAM while Atty. Ma. Alicia G. Picazo-San Juan and Atty. Lyne Vega are the Corporate Secretary and Asst. Corp. Secretary, respectively, of both the Fund and ATRAM.

RECENT SALES OF UNREGISTERED SECURITIES

Within the past three (3) years, there were no sales of unregistered securities.

SHAREHOLDERS MEETINGS

The Fund shall hold an annual general meeting for shareholders during the last Thursday of June of each year, if not a legal holiday and if a legal holiday, then on the next succeeding business day, at the place and time determined by the Board of Directors. Notices of such meetings including the distribution of Information Statement and of all other meetings shall be given in writing to the shareholders at their registered addresses at least fifteen (15) working days before the date of the meeting. All notices of meetings will specify the time and place of the meeting and, if necessary, the general nature of the business to be considered at the meeting. The presence of the holders of a majority of the issued and outstanding shares of the Fund having voting powers in person or by proxy shall constitute a quorum for all purposes at any general meeting of the Fund. The Board of Directors may, by resolution, direct that the stock transfer books of the Corporation be closed for a period not exceeding sixty (60) days preceding the date of any meeting of stockholders.

RULES AND REGULATIONS GOVERNING INVESTMENT COMPANIES

Investment companies are required to be incorporated under the Corporation Code of the Philippines (Batas Pambansa Blg. 68), which was approved May 1, 1980 and to be registered with the Securities and Exchange Commission (SEC). Open-end investment companies or mutual fund companies are governed by the Investment Company Act of 1960 (R.A. 2629), which was approved on June 18, 1960 and its revised Implementing Rules and Regulations under SEC Rule 35-1 or the Investment Company Rule which took effect on May 12, 1998. Equity securities to be sold and issued to the public by mutual fund companies are required to be registered under the Securities Regulation Code (R.A. No. 8799), which was approved on July 19, 2000. As a covered institution supervised by SEC, mutual fund companies are required to have a Revised Code of Corporate Governance Manual under SEC Memo Circular No. 6, series of 2009 and Revised Anti-Money Laundering and Counter Financing of Terrorism Manual under the Anti-Money Laundering Act of 2001 as revised by R.A. 9160 as amended by R.A. No. 9164 and The Terrorism Financing Prevention and Suppression Act of 2012.

General Provisions of Laws and its Implementing Rules and Regulations pertaining to Mutual Fund Companies

Corporation Code of the Philippines

- 1) Corporations may be incorporated as stock or non-stock corporations:

- a) Stock corporations have capital stock divided into shares (common or preferred) and are authorized to distribute dividends or allotments of the surplus profits on the basis of the number of shares held. Mutual fund companies are classified as stock corporations whose corporators are called stockholders.
- b) Non-stock corporations - all other corporations whose corporators are called members.
- 2) It is required to have Articles of Incorporation and By-laws filed with the SEC.
- 3) A corporation has a corporate life or term not exceeding fifty (50) years from the date of incorporation
- 4) The number of corporators should not be less than five (5) but not more than fifteen (15) natural persons or Members of the Board who own at least one (1) capital stock of the corporation
- 5) Corporations are required to have 25% of its authorized capital stock to be subscribed and 25% of the minimum subscribed capital or not less than PHP5,000 to be paid-up upon registration.
- 6) It has power to declare dividends. It is prohibited from retaining surplus profits in excess of one hundred percent (100%) of their paid-up capital. Excess should be declared as cash or stock dividends out of its unrestricted retained earnings.
- 7) Consideration for stocks: Stocks shall not be issued for a consideration less than par or issued price thereof.

Securities Regulation Code (R.A. No. 8799)

- 1) The Code has a process of registration before a corporation or issuer offers and sells its securities to the public to assure the availability of adequate reliable information about the issuer and the securities which are offered to the public (disclosure);
- 2) It provides reporting requirements for a continuous flow of disclosures and information about the securities and issuer whose securities are traded in an exchange or sold over the counter to the public. This is done through the issuance of a registration statement (RS 12-1), prospectus, SEC Form 17-C, 17-Q, 17-A, 17-EX, 17-L, etc.
- 3) It has Anti-Fraud provisions to stop and control manipulative and deceptive practices by traders and issuers; and
- 4) It provides sanctions for violations of the provisions of the Code.

Investment Company Act of 1960 (R.A. 2629) and ICA Rule 35-1 (Investment Company Rule)

- 1) Initial authorized capital stock of Two Hundred Million Pesos (PHP200,000,000) with minimum subscribed and paid-in capital of Fifty Million Pesos (PHP50,000,000). This is an exception to the above Corporation Code requirement no. 5 (25/25 rule). If the mutual fund company is one of a group of investment companies to be created or already under management of the same investment company manager, upon request the SEC may grant a lower paid-in capital requirement.
- 2) Corporate powers are exercised by the Board of Directors and management of the corporation is contracted to service providers (i.e. investment company adviser, distributors, transfer agent, fund accountant and administrator).
- 3) Securities or shares to be issued, distributed or sold shall be registered in accordance with the SRC.
- 4) All members of the Board of Directors must be Filipino citizens.
- 5) All shares of its capital stock shall be common and voting shares.
- 6) The Articles of Incorporation shall provide for the waiver of pre-emptive rights of shareholders.
- 7) Minimum size of investment by a single investor shall be PHP5,000 and shall be sold on a cash basis. Installment sales are prohibited.
- 8) Proceeds from sale of securities or shares shall be held by a custodian bank
- 9) Original proponents or incorporators are prohibited to sell, transfer, convey, or encumber their shares within twelve (12) months from registration of said company.

Anti-Money Laundering Act of 2001 as amended and The Terrorism Financing Prevention and Suppression Act of 2012

These laws were passed to prevent the use of Philippine financial institutions for money laundering and terrorist financing by persons or groups of persons identified and sanctioned by the Anti-Money Laundering Council and the Financial Action Task Force.

SEC covered institutions are required to complete Know-Your-Customer (KYC) procedures and customer due diligence before accepting and opening accounts of customers.

Revised Code of Corporate Governance under SEC Memo Circular No. 6, Series of 2009

This code contains rules, systems and processes that govern the performance of Management and the Board of Directors of their respective duties and responsibilities to safeguard the interests of the stockholders and promote corporate governance reforms aimed to raise investor confidence, develop the capital markets and help achieve high sustained growth for the corporate sector and the economy.

Tax Code

Mutual fund companies are non-VAT registered companies. It has no employees. Services are outsourced to third-party service providers who are VAT registered companies such as investment company adviser, who invest and re-invest the funds of the company; distributors, who sells and distributes the fund's shares; transfer agent, who maintains the registry of shareholders; fund accountant, who computes the fund's daily NAV and maintains its books; and administrator, who monitors the duties and responsibilities of service providers and that these are done based on service contracts or agreements.

Gains from the redemption of shares from mutual funds by the shareholders are tax-exempt as provided in the Comprehensive Tax Reform Program of 1997.

Foreign Account Tax Compliance Act (FATCA)

ATRAM as fund manager of the Fund has registered with the US Internal Revenue Service (IRS) as a Sponsoring Entity (Deemed Compliant FFI) that will perform the due diligence, withholding and reporting obligations of one or more Sponsored Entities (Sponsored FFIs). The IRS has given ATRAM its Global Intermediary Identification Number; 8WHPZL.00000.SP.608. With this, the Sponsored Entities or mutual fund companies under management by ATRAM are shielded from the 30% withholding tax imposed by FATCA upon performance of the duties under the FATCA regulations. ATRAM has still to register as a withholding agent of the IRS.

In effect as of November 30 2014, the Philippines was treated as if it was a jurisdiction with an Intergovernmental Agreement (IGA) by the IRS. This means that the Philippines has reached an agreement in substance with the United States on the terms of an IGA to implement FATCA.

On July 13, 2015, The Philippines signed an Intergovernmental Agreement (IGA) with the IRS. This means that the Philippines has reached an agreement with the United States of America on the terms of an IGA to implement FATCA. FATCA reporting will not take place until PH-US FATCA IGA has been concurred in by the Senate of the Philippines and has entered into force.

ATRAM has revised its Client Account Form (account opening form) to include FATCA requirement as well as the permission from the client to share personal information to ATRAMs affiliate and to regulatory agencies.

CORPORATE GOVERNANCE

The Fund has submitted with SEC its Revised Code of Corporate Governance Manual containing stricter provisions required by SEC Memorandum Circular No. 6, Series of 2009 on corporate governance.

Evaluation system to determine the level of compliance with the Manual of Corporate Governance

The Compliance Officer monitors and determines the Fund's level of compliance with the Manual of Corporate Governance (the "Manual"). Among his functions is to issue a certification every 30th of January of the year on the extent of the Fund's compliance for the completed year and explaining the reason/s of the Fund's deviation thereto, if any. The Compliance Officer refers to the Compliance Form and previous certifications to compare what has been done in the past and any improvements thereon, if any, done within the year.

Measures being undertaken to fully comply with adopted leading practice on good governance

Compliance Officer

The Fund considers its Manual to be in line with the leading practices on good corporate governance. In line with this and in order to ensure adherence to corporate principles and best practices, Mr. Manuel I. Briones was designated as the Fund's Compliance Officer from the year 2015 up to the present. Mr. Briones reports directly to the Chairman of the Board and his duties include the following:

1. Monitor compliance with the provisions and requirements of the Manual;
2. Appear before the SEC upon summon on similar matters that need to be clarified by the same;
3. Determine violation/s of the Manual and recommend penalties for violation thereof for further review and approval of the Board;
4. Issue a certification every January 30th of the year on the extent of the Fund's compliance with the Manual for the completed year, explaining the reason/s of the latter's deviation from the same if any; and
5. Identify, monitor and control compliance risks.

The Fund has two Board seats for its independent directors and has put in place Audit, Nominations, Compensation and Remuneration Committees as described in the Manual.

Nomination Committee

The Nomination Committee, composed of at least three members (one of whom is an independent director) pre-screens and shortlists all candidates nominated to become a member of the Board to ensure that each board election shall result in a mix of proficient directors, each of whom is able to add value and bring prudent judgment to the Board.

Compensation Committee

The Compensation Committee is composed of at least three members, one of whom is an independent director. Among the important functions of the Compensation Committee are as follows:

1. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Fund's culture, strategy and control environment;
2. Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully; and
3. Review the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.

Audit Committee

The Audit Committee is composed of at least three members of the Board, one of whom is an independent director. Each member shall have adequate understanding or competence of the Fund’s financial management systems and environment. Among the important functions of the Audit Committee are as follows:

1. Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;
2. Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Fund, and crisis management; and
3. Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company through a step-by-step procedures and policies handbook that will be used by the entire organization.

Deviations from the Fund’s Manual of Corporate Governance

The Fund has substantially complied with and has not made any material deviations from the provisions of its Manual.

Plans to improve the Fund’s corporate governance

The Fund plans on an on-going basis to improve its corporate governance to effectively monitor the actions of the Board and of the Investment Adviser.

INVESTMENT OBJECTIVE, POLICY AND LEGAL LIMITATIONS

INVESTMENT OBJECTIVE

The Fund is designed to seek total return through current income and long-term capital growth through investment in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities.

INVESTMENT POLICY

The Fund shall invest primarily in securities issued by Philippine entities. Under normal circumstances, the Fund intends to invest at least 40% of its net assets in equity securities of Philippine corporations. For this purpose, the term equity securities includes common stock, preferred stock and securities convertible into or exchangeable for such equity securities, such as convertible debentures and convertible preferred shares, or shares which carry warrants to purchase such equity securities. The Fund may also invest in fixed income securities such as but not limited to, commercial papers, notes, bonds and convertible preferred shares and in debt obligations issued or guaranteed by the Republic of the Philippines and its instrumentalities. The Fund may also purchase loan receivables. The Fund may also invest in deposits, deposit substitutes or deposit products.

LEGAL LIMITATIONS ON INVESTMENT

1. The Fund will invest its assets in a variety of industries. It shall not invest more than fifteen percent (15%) of its NAV in any single enterprise except obligations of the Philippine Government and its instrumentalities, nor shall the total investment of the Fund exceed ten percent (10%) of the outstanding securities of any one investee company. (Per SEC Memo Circular No. 12, Series of 2013 dated July 9, 2013)

2. An investment company shall not change its investment objective without prior approval of its majority shareholders.
3. Until the SEC provides otherwise, the Fund shall not short-sell securities or invest in any of the following:
 - a. margin purchases of securities (investment in partly paid shares are excluded);
 - b. commodity futures contract;
 - c. precious metals; and
 - d. unlimited liability investments.
4. The Fund shall not invest in real estate properties and developments unless allowed under applicable laws, if any.
5. The Fund shall not purchase from or sell to any of its officers or directors or the officers and directors of its Investment Adviser, Principal Distributor or distributors or firms of which any of them are members, any security other than the Fund's own capital stock.
6. The Fund shall not participate in any underwriting or selling group in connection with the public distribution of securities except its own capital stock.
7. The total operational expenses of the Fund shall not exceed ten percent (10%) of its average investment fund or net worth as shown in the fund's previous audited financial statements.

The formula shall be as follows:

$$\text{Expense Ratio (\%)} = \frac{\text{Total Operating Expenses}}{\text{Average Net Asset Value}} * 100$$

The average daily net asset value shall be indicated in the Fund's Quarterly and Annual Reports. (Per SEC Memo Circular No. 12, Series of 2013 dated July 9, 2013)

8. Investment in the Fund shall be on cash basis only; installment sales are expressly prohibited.
9. The Fund shall not issue senior securities.
10. For liquidity purposes, unless otherwise prescribed by the SEC, in case of open-end companies, at least five percent (5%) of its fund shall be invested in liquid or semi-liquid assets, such as but not limited to:
 - a. treasury notes or bills, BSP Certificates of Indebtedness which are short-term, and other government securities or bonds and such other evidences of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines;
 - b. savings or time deposits which government-owned banks or commercial banks, provided that in no case shall any such savings or time deposits account be accepted or allowed under a "bearer", "numbered" account or other similar arrangement.

Provided that, the Fund shall submit a liquidity contingency plan to SEC before it implements a decreased investment of less than ten percent (10%) in liquid/semi-liquid assets. (Per SEC Memo Circular No. 12, Series of 2013 dated July 9, 2013)

11. The Fund shall not incur any further debt or borrowings unless at the time of its occurrence or immediately thereafter, there is an asset coverage of at least 300% for all its borrowings. In the event that such asset coverage shall fall below 300% the Fund shall, within three (3) days thereafter, reduce the amount of its borrowings to the extent that the asset coverage of such borrowings shall be at least 300%.
12. The SEC allows mutual fund companies to invest up to 100% of its net assets in foreign securities subject to safety nets and standards set in SEC Memorandum Circular No. 7, series of 2005 and SEC Memorandum

Circular No. 10 series of 2006 on "Guidelines on the Evaluation of Foreign Investments by Mutual Fund Companies".

PLAN OF DISTRIBUTION

ATR Asset Management, Inc. ("ATRAM") formerly ATR KimEng Asset Management, Inc. serves as Principal Distributor of the shares of the Fund in accordance with a Principal Distributorship Agreement. Under its Investment Company Adviser license which was issued on December 29, 2014 and renewable annually thereafter, ATRAM is also allowed as principal distributor of the Fund. The shares of the Fund will be offered continuously for sale by the Principal Distributor and other eligible sales agents licensed by the SEC and securities dealers that have signed a Distribution Agreement, either directly with the Fund or with the Principal Distributor. The Principal Distributor may utilize various media channels for promotional purposes. Possible promotional tools include advertisements in newspapers and in the Principal Distributor's website, press releases, email announcements, and marketing events. It will also use the Online Investment Platform called Seedbox Philippines, a related company of ATRAM, for the distribution of mutual funds to novice investors via Internet facilities. On June 27, 2016, the SEC-Market and Securities Regulation Department interpose no objection to the launching of this platform by ATRAM.

The Fund will pay its Principal Distributor and/or eligible sales agents, institutional partners or securities dealers per fees agreement an Annual Distribution Fee of 1.25% p.a. of the average daily net assets of the Fund, payable monthly exclusive of Expanded Value Added Tax (eVAT). The Distributor is allowed to charge a fee of up to a maximum rate of three percent (3%) p.a. of the daily net assets of the Fund. At any point in time the agreed maximum rate may apply through the issuance of an amended fees agreement. These fees are meant to compensate for expenses associated with the distribution of shares. Said expenses would include compensation for licensed agents or other licensed persons for providing distribution services or assistance; the preparation, production and dissemination of Fund prospectuses and other marketing or advertising materials and vehicles. Annual Distribution Fees will be accrued daily based on each day's outstanding assets under management, and paid out on a monthly basis.

Aside from ATRAM as distributor of the Fund, it has entered into a distribution agreement with the following to sell the shares of the Fund: Bonds, Equities, Securities and Traders, Inc. (BEST), Citicorp Financial Services and Insurance Brokerage Philippines, Inc. (CFSI), COL Financial (COL) to sell the shares of the Fund. They are duly licensed by the SEC as a Mutual Fund Distributor. ATRAM is the licensed investment company adviser and principal distributor for seven mutual funds:

1. ATRAM Philippine Balanced Fund, Inc. (formerly ATRKE Philippine Balanced Fund, Inc.);
2. ATRAM Philippine Equity Opportunity Fund, Inc. (formerly ATRKE Equity Opportunity Fund, Inc.);
3. ATRAM Alpha Opportunity Fund, Inc. (formerly ATRKE Alpha Opportunity Fund, Inc.);
4. ATRAM AsiaPlus Equity Fund, Inc. (formerly ATR KimEng AsiaPlus Recovery Fund, Inc.);
5. ATRAM Total Return Dollar Bond Fund, Inc. (formerly ATR KimEng Total Return Bond Fund, Inc.);
6. ATRAM Dynamic Allocation Fund, Inc. (formerly Optima Balance Fund, Inc.); and
7. ATRAM Corporate Bond Fund, Inc. (formerly Prudentialife Fixed Income Fund, Inc.)

There are no shares designated to be sold to specified persons. There is no plan to apply for listing in any exchange the Shares of the Fund. Consequently, none of the Fund's Shares are to be allocated to an exchange and/or its members.

SALES, REDEMPTION OF SHARES, AND COMPUTATION OF NET ASSET VALUE

PURCHASE OF SHARES

Shares of the Fund are offered for sale over the counter on a continuous basis at the net asset value through registered representatives and dealers. The shares are not listed in an organized exchange market hence, there is no public trading market for these shares. **For investors purchasing shares of the Fund, the minimum investment is an amount not less than Fifty Pesos (PHP50.00), or such other amount as may be determined**

by the Fund's Board of Directors from time to time, but not below the prescribed minimum investment approved by the SEC. For subsequent investments by existing investors, the minimum investment is at least Fifty Pesos (PHP50.00), or such other amount as may be determined by the Fund's Board of Directors from time to time, but not below the prescribed minimum of additional investment approved by the SEC. (Per SEC Res. No.53, S. of 2018). The Sales Fee to be charged to an investor ranges from zero (0) to five percent (5%) of the investment amount plus Evat. Investment in the Fund shall be on cash basis only; installment sales are expressly prohibited.

Any qualified person at least eighteen (18) years of age may purchase the shares provided that no such purchase is contrary to the best interests of the other shareholders or would otherwise disrupt the management of the Fund. The Principal Distributor or the Fund reserves the right to reject any order for shares by any persons or nationalities who are subject of Foreign Account Tax Compliance Act's regulations, Office of Foreign Assets Control's list of Specially Designated Nationals, AMLC Resolutions on UN Security Council's consolidated list of individuals and entities subject to freezing of assets, travel ban and arms embargo, as well as HM-Treasury of UK's Financial Sanction List. This is to protect the interests of the Principal Distributor and the Fund from any regulatory risks. Prospective investors will fill out new account forms, signature cards, client and portfolio profile forms, and must present two (2) valid identification cards [one primary issued by the government and one secondary issued by private entities (e.g. credit card company, health card, school ID), that must be current and with picture, and other documents as may be required by the Principal Distributor or the Fund.

Corporate applicants must submit the following minimum information/documentary requirements, in order to purchase shares:

1. A duly certified copy of the SEC registration, the articles of incorporation and by-laws and any amendments thereto;
2. A duly signed board resolution certified by the corporate secretary authorizing the said purchase;
3. A list of all the authorized signatories;
4. Official address or principal business address;
5. List of directors;
6. List of principal stockholders owning at least two percent (2%) of the capital stock;
7. Contact numbers;
8. Beneficial owners, if any; and
9. Verification of the identification and authority of the person purporting to act on behalf of the client.

The Fund or any entity acting on its behalf may require evidence verifying the identity of a prospective purchaser of shares and the source of the relevant funds in compliance with the Anti-Money Laundering Act of 2001 and its Implementing Rules and Regulations. The Principal Distributor may request for other documents which it may deem necessary, depending on the type of account being opened.

The dealers and registered representatives shall forward the new account applications and/or order tickets to purchase shares of the Fund to the Transfer Agent on the same business day they are received. Completed subscriptions received by 3:15 p.m. on a Business Day will be priced at the NAVPS determined at the close of business on that day and will be processed the following Business Day. If received after 3:15 p.m., subscriptions will be processed at the NAVPS determined at the close of business on the next Business Day.

The Fund shall compute and post its NAVPS on a daily basis and shall publish such daily prices through PIFA or in at least two (2) newspapers of general circulation in the Philippines.

SALES PRICE

The Sales Price will be calculated on the basis of the applicable NAVPS and Sales Fee (also known as "Front-end Load" or "Entry Load"). The Sales Price per share will be calculated using the following formula:

Sales Price per share = Applicable NAVPS + Entry Load, where the Entry Load is from zero (0) to five percent (5%) of the investment amount plus Evat as detailed below:

Sales Fee Range

Investment/Total Relationship Balance*		Minimum Fee Rate (%)	Fee Rate (inclusive of 12% eVAT)	Maximum Fee Rate (%)	Fee Rate (inclusive of 12% eVAT)
Minimum (Php)	Maximum (Php)				
5,000	1,000,000	3.00	3.36	5.00	5.60
More than 1,000,000	10,000,000	1.75	1.96	2.75	3.08
More than 10,000,000	20,000,000	0.75	0.84	1.50	1.68
More than 20,000,000		Waived	Waived	0.50	0.56

- Total relationship balance refers to the consolidated average balance across all of the investor's investment with ATRAM Funds

The Principal Distributor or the Fund reserves the right to reject any specific subscription or to restrict purchases by a particular investor, for example, when such purchase is contrary to the best interests of the other shareholders or would otherwise disrupt the management of the Fund. This decision will be made within two (2) Business Days after receipt of the subscription and in the event of a rejection, the subscription amount, without interest will be returned to the investor in the form of a local check within two (2) Business Days after the said decision was made.

The SEC, the Fund or the Principal Distributor may suspend the continuous offering of shares to the general public at any time in response to conditions in the securities markets or otherwise and may thereafter resume such offering from time to time. Neither the Principal Distributor nor the eligible agents are permitted to withhold placing orders to benefit themselves by a price change.

The Transfer Agent must receive payment for the subscription on the same Business Day as the buy order is placed. The investor's account will be credited for the subscription only when the payment is in the form of a bank transfer or a local check that has cleared through the facilities of the banking system. If payment is made by way of a check drawn on a bank (or a bank branch) located outside Metro Manila (or drawn on banks located outside designated local clearing areas of the BSP or drawn on banks located outside the Philippines), the subscription will not be processed into the investor's account, until the check has finally cleared through the facilities of the Philippine banking system. NAVPS to be used shall be the prevailing NAVPS at the time of clearance of the check. Installment sales are expressly prohibited.

A non-transferable Investment Confirmation will be issued by the Transfer Agent in favor of the investors which shall be recorded in the electronic registry of the Transfer Agent without the issuance of other evidences of certificates. Issuance of the Investment Confirmation shall be for the account of the Fund. Shares are recorded on the electronic registry by the Transfer Agent, and shareholders have the same rights of ownership as if certificates had been issued to them.

SWITCHING POLICY

Existing investors of the Fund may switch to other mutual funds managed by ATRAM, subject to the following:

- Sales fees will be waived for switching transactions, up to 3 times within a year. Early redemption fees shall not be waived if the investor redeems from the original fund within the minimum holding period.
- The switching of shares is subject to an investor holding an equivalent value of shares in the original fund that will meet the minimum subscription amount (or minimum additional

subscription amount if the investor already has existing shareholdings in the new fund) of the new fund.

- The NAVPS to be applied on the redemption from the original fund and the subscription in the new fund shall be the NAVPS on Trade Date. However, settlement of the subscription and redemption shall follow the usual timelines of T+3 observed by ATRAM Operations.
- Switching instructions will only be executed for funds with the same base currency. ATRAM will not facilitate conversion of foreign exchange.
- ATRAM or the Fund reserves the right not to be bound to switch on any Trade Date more than 10% of the value of the Fund's NAV or under circumstances that ATRAM believes to be detrimental to the Funds. In such circumstances, the switch may be deferred for a period not exceeding ten (10) business days. The execution of the deferred switch shall be prioritized over later instructions.

REDEMPTION OF SHARES

Redemption Fees in amounts from zero (0) to five percent (5%) will be charged to the investor on shares redeemed. Minimum holding period shall be 90 days. Redemptions within the holding period will be charged a fee of 1.12% (inclusive of eVAT). If investment is held longer than the minimum holding period, the redemption fee will be waived.

The minimum redemption amount is Fifty Pesos (PHP50.00), unless the investor's outstanding investment in the Fund is less than Fifty Pesos (PHP50.00), in which case, the minimum redemption amount shall be the total amount of the outstanding investment. (Per SEC Res. No. 53, S. of 2018).

Shares are redeemable at any time at their NAV less any applicable Sales Fee and taxes, if any. A shareholder may request redemption of his or her shares by delivering the Redemption Form and the duly endorsed stock certificate, if any, to any registered representative or dealer. The Redemption Form must be properly accomplished and signed by the investor with the number of shares to be redeemed indicated in the form.

For redemption, the price is the NAVPS at the close of business on the day the Redemption Form is received in good order by any registered representative or dealer on or before 3:15 p.m. After 3:15 p.m., the order ticket is deemed to have been received the following business day, and the redemption price will be the NAVPS determined at the close of business on the next Business Day.

In case the shares are held in the names of more than one shareholder, where the mode of holding is specified as "Joint", the Redemption Form will have to be signed by all the joint holders. However, in cases of holding specified as "and/or" any of the shareholders will have the authority to sign the Redemption Form, without it being necessary for all the shareholders to sign.

The Fund may suspend redemption or postpone the date of payment for a redemption (i) for any period when cash clearing is suspended by the Philippine Clearing House Corporation or BSP or (ii) with the consent of SEC.

Since the Fund is a non-VAT registered entity, the eVAT collected from sales and redemption fees are for the account of the Principal Distributor who is a VAT registered entity.

RIGHT TO LIMIT REDEMPTION

The SEC may, whenever necessary or appropriate in the public interest or for the protection of investors, suspend the redemption of securities of the Fund. Any shares which by virtue of this limitation are not redeemed on a particular business day will be carried forward for redemption to the next business day, in the order of receipt. Redemptions so carried forward will be priced on the basis of the redemption price of the business day on which such redemption is made.

During periods of crisis in the capital markets, as may be determined by the SEC, especially where there are unusually severe declines in the trading liquidity of the positions in which the Fund's portfolio is invested, the Investment Adviser may deem it in the public interest or in the interest of the Fund's investors to instruct the Custodian and Transfer Agent to suspend or partially to restrict redemptions until, in the Investment Adviser's judgment, the crisis has abated. With the prior approval of the SEC, the Investment Adviser may also instruct the Custodian and Transfer Agent to suspend redemptions in situations, described below, where the calculation of the Fund's NAVPS shall be suspended. The Investment Adviser shall promptly notify the Fund's investors of any suspensions, partial restrictions, or resummptions initiated by the Investment Adviser.

REDEMPTION PRICE

The Redemption Price will be calculated on the basis of the applicable NAVPS less Redemption Fee and taxes, if any. Redemption Fees (inclusive of eVAT) in amounts from zero (0) to five percent (5%) will be charged to the investor on shares redeemed. Minimum holding period shall be 90 days. Redemptions within the holding period will be charged a fee of 1.12% (inclusive of eVAT). If investment is held longer than the minimum holding period, the redemption fee will be waived.

The Redemption Price per share will be calculated using the following formula:

$$\text{Redemption Price per share} = \text{applicable NAVPS, less Redemption Fee and taxes, if any.}$$

PAYMENT OF REDEMPTION

The redemption price will be paid by check made in favor of the registered shareholder. Checks will be mailed or delivered to the address of the shareholder (if there is more than one shareholder on record, the address of the first-named shareholder) or can be picked-up personally by the shareholder. A shareholder must present a valid identification card when he picks up the check for the redemption proceeds.

COMPUTATION OF THE NET ASSET VALUE

Due to the change of the close of trading of the PSE to 3:30 p.m., the NAV of the Fund is determined by the Fund Accountant once daily no later than 8:00 a.m. Manila Time of the next business day. The NAVPS of the Fund as of the close of business on any business day shall be the quotient obtained by dividing the value of the assets of the Fund less the liabilities (such liabilities being exclusive of capital stock and surplus) by the total number of shares outstanding as of such close, all determined and computed as follows:

The assets of the Fund shall be deemed to include (i) all cash on hand, on deposit or on call, (ii) all bills and notes and accounts receivables, (iii) all shares of stock and subscription rights and other securities owned or contracted for the fund other than its own capital stock, (iv) all stock and cash dividends and cash distributions to be received by the Fund and not yet received by it but declared to stockholders of record on a date on or before the date as of which the net asset is being determined, (v) all interest accrued on any interest-bearing securities owned by the Fund, and (vi) all other property of every kind and nature, including prepaid expenses.

The liabilities of the Fund shall be deemed to include (i) all bills and notes and accounts payable, (ii) all administrative expenses payable and/or accrued, (iii) all contractual obligations for the payment of money or property, including the amount of any unpaid dividend declared upon the Fund's stock and payable to shareholders of record on or before the day on which the value of the Fund's shares are being determined, (iv) all reserves authorized or approved by the Board of Directors for taxes or contingencies, and (v) all other liabilities of the fund of whatsoever kind and nature except liabilities represented by the outstanding capital stock and surplus of the Fund.

Any changes in the NAVPS calculation or valuation method shall be subject to approval by the Board of Directors and the SEC.

With the prior approval of the SEC, the Investment Adviser may instruct the Fund Accountant to temporarily suspend calculation of the Fund's NAV and NAVPS in any of the following instances:

- a. when one or more stock exchanges or other regulated markets, functioning in a regular manner, recognized and open to the public, supplying listings for a significant portion of the assets of the Fund, is closed for periods other than regular holidays, or when transactions thereat are suspended or subject to restrictions;
- b. when the means of communications or calculation used to determine the value of a substantial portion of the assets of the Fund are suspended, or when, for any reason whatsoever, the value of a substantial portion of the investments of the Fund cannot be determined with the desirable speed and accuracy;
- c. when currency exchange rate or capital transfer restrictions prevent the execution of transactions for the account of the Fund, or when purchase or sale transactions for the account of the same cannot be executed at normal rates of exchange;
- d. when factors due, inter alia, to the political, economic, military or monetary climate, which are outside the control, liability and operational scope of the Custodian shall prevent the same from effecting disposal in respect of the assets and from determining the NAV thereof in a normal and reasonable manner; or
- e. when the market for a currency in which a significant portion of the assets of the Fund is invested shall be closed for periods other than normal holidays, or when transactions thereon are suspended or subject to restrictions.

Should the Investment Adviser suspend the calculation of the NAVPS, the Custodian and Transfer Agent shall also suspend acceptance of subscription and redemption orders. Such suspension shall promptly be communicated to the Fund's investors, and in particular to any investor requesting redemption of their shares.

NAV PRICING ERROR POLICY

The Board of Directors of the Fund approved on September 22, 2011 the following NAV Pricing Error Policy of the Investment Adviser, setting forth the materiality threshold of 0.5% (50 bps) and the *de minimis* threshold of PHP500.00 for purposes of determining the entitlement of affected parties to compensation as a result of errors in the computation of the NAV of the Fund:

Policy	Description
Materiality Threshold – 50 Basis Points	Threshold for the determination of NAV Pricing Error over the correct NAV/NAVPS
“De Minimis” Threshold – PHP500	Minimum amount to be considered before any payment shall be made by the Fund after the determination of the materiality threshold.”

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

PERFORMANCE SUMMARY

Review of 3rd Quarter 2016

The Philippine Stock Exchange Index (PSEi) continued its sharp rise and ended July just shy of 8,000 after trying to breach the all-time high of 8,127 several times in the latter part of the month. Investor optimism is running high after President Duterte continued to obtain the public’s trust after he enumerated his administration’s priorities in the State of Nation Address (SONA). Duterte’s trust rating, based on Pulse Asia, is the highest among post-EDSA presidents which stems from his overarching election promise of eradicating crime and corruption and improving public service, specifically infrastructure and transportation projects.

Foreign buying remains elevated and has breached the \$1bn mark, year-to-date. In July, \$418mn flowed into the equity market as the Philippine's economic fundamentals suggest above average growth, both from a historical (versus average Philippine economic growth) basis and compared to emerging market peers. However, local investors seem to regard 8,100 as an opportunity to take profits and aggressively sold into the rally. Brexit fallout caused the yield curve to flatten further in July as investors continued to flock towards safe-haven instruments. Global bond-yields plummeted to all-time lows as yields on local government securities tracked the move down. The Philippine Sovereign Bond Index was up by 1.91% as yields slid lower by another 15-30 basis points (bps) across the curve with investors loading up especially on the longer-maturity securities.

The Philippine Stock Exchange Index (PSEi) weakened 2.21% last August as the unexciting 2Q earnings failed to justify rich market valuation. In addition, foreign funds took \$32mn out of the equities market, snapping a three month inflow that started after President Duterte's election. The outflow was partly due to the increased chances of a US interest rate hike this year. Higher interest rates abroad usually discourage foreign money investments in the Philippines, and emerging markets as a whole.

Local bond yields spiked up to close the month higher by 15-20 basis points (bps) in August as renewed concerns over a US rate hike and speculation on the details of the upcoming Retail Treasury Bond (RTB) caused investors to reassess their positions. The Philippine Sovereign Bond Index was down by 36 basis points (bps) with the bonds on the long-end of the curve bearing the brunt of the sell-off.

The Philippine Stock Exchange Index (PSEi) fell for the second straight month when it slid 2.02% in September. Several factors fueled the market weakness led by the stream of domestic political developments and uncertainties brought by the impending tax reform agenda and abrupt policy shifts unveiled by President Duterte. Furthermore, investor sentiment turned sour due to the Davao bombing, the sharp depreciation of the Philippine Peso (against the US dollar), and the looming US Federal Reserve interest rate-hike. Foreign funds took out \$361mn (excluding the \$91mn URC block related to its recent acquisition) in September that encompassed 25 days of consecutive outflows which reduced the year-to-date (YTD) foreign inflow to \$660mn.

For fixed income, yields surged higher throughout September as investors repositioned portfolios and reduced risk with monetary policy meetings in Europe, UK, Japan and the US all in play. Against this backdrop, the new 10-year Retail Treasury Bond (RTB) issued amid cautious demand and caused the market to reprice the GS yield curve higher. The Philippine Sovereign Bond Index was down (-)2.15% with the bonds on the long-end of the curve bearing the brunt of the sell-off.

Balance Sheet

3rd Quarter 09.30.16 vs. 12.31.15 (increase / decrease of 5% or more)

As of September 30, 2016, the fund's total assets stood at P2.2 billion, lower by 11.63% compared to the 2015 year end asset balance primarily due to sale of securities arising from net redemptions during the period.

Changes in the items on the asset side of the balance sheet mainly reflect shifts within investment asset classes. Cash and cash equivalents consist of cash in bank deposits and short-term investments. Cash in banks and investments are highly liquid assets used as standby funds for redemptions by shareholders and any future investment opportunities. As of September 30, 2016, cash and cash equivalents considerably increased by 66.85% to P119.5 million. The movement is mainly due to short-term deposit placements made during the period.

Available for sale securities consists of investment in listed equity securities, treasury notes and corporate fixed rate bonds. Changes primarily reflect deliberate shifts in asset allocation among asset classes as determined by the Fund Manager as well as appreciation (depreciation) of investment securities and increase

in shareholder's subscriptions. Total Available-for-Sale Securities as of September 30, 2016 decreased by 13.19% to P2.1 billion compared to figure reported last year-end. Investment in Equity Securities as of September 30, 2016 decreased by 17.87% to P1.1 billion compared to the year-end figure. Government Fixed Rate Treasury Notes decreased by 1.41% to P611.2 million as of September 30, 2016. Corporate Bonds slightly increased from P351.5 million in December 31, 2015 to P354.2 million in September 30, 2016. On the other hand, Government Bonds decreased by 100% compared to the year end figures. No provision for impairment loss was provided on September 30, 2016 compared to December 31, 2015 of P155,058,726 which was recognized due to the significant decline of equity values of 20% or more and prolonged for 3 years since acquisition which were the reasons by the company to provide such impairment loss.

Other receivables pertain to the interest receivables, dividend receivables and settlement receivables from broker arising from the sale of investment securities. In total, it decreased by 67.48% to P11.2 million as of September 30, 2016 compared to figure reported last year-end. The movement was primarily due to the decrease in receivable from counterparties for transactions arising from the sale of securities which is normally due for settlement within one (1) to three (3) days from the trade date. The decrease is also due to the collection of interest and dividends receivables.

Meanwhile, total liabilities as of September 30, 2016 increased by 86.31% from P10.4 million as of December 31, 2015 to P19.3 million.

Accounts payable which consists of unpaid redemptions, settlement payable for transactions arising from acquisition of securities, unapplied subscriptions, fees due to fund accountant, custodian, directors, transfer agent, external auditors and legal personnel, increased considerably from P2.5 million in December 31, 2015 to P 13.1 million as of September 30, 2016. The movement was primarily due to increase in settlement and redemption payables. Settlement of these payables is normally due within one (1) to five (5) days from the trade date.

Other liabilities which include accounts that are due to the fund manager decreased to P3.8 million as of September 30, 2016 from P4.4 million in December 31, 2015. This is due to the decrease in the size of assets under management.

Tax liabilities this period which consist of withholding taxes and documentary stamps decreased by 31.61% to P2.4 million in September 30, 2016 arising from net redemptions for the period.

As a result, net asset value per share increased by 10.56% from P2.1334 as of December 31, 2015 to P2.3587 as of September 30, 2016.

Income Statement

Period ended September 30, 2016 vs. September 30, 2015 (increase / decrease of 5% or more)

Income for the Fund is generated primarily from interest income from fixed income investments, dividend income from equity securities and realized gains on investments.

The Fund incurred a net income of P142.7 million for the period ended September 30, 2016. This was up by 79.3% compared to net income reported same period of previous year. The increase was principally due to the adjustment made on trading gains/(losses) and impairment losses in 2014 and 2015.

Dividend income decreased by 19.99% to P18.2 million for the period ended September 30, 2016 compared to same period of last year.

Likewise, interest income fell by 23.28% to P34.9 million for the period ended September 30, 2016 compared to reported interest income a year ago. The movement is mainly attributed to the decrease in the size of government bonds in 2016 compared to the previous year.

Meanwhile, operating expenses before losses on sale of AFS securities went down by 29.44% to P39.7 million this year mainly due to lower fees which decreased in proportion to the decrease in the size of average AUM.

Fees incurred relating to investment advisor (Management Fee), distributor (Distribution Fee), administrator (Administration Fee), fund accountant (Fund Accounting Fee) and Custodian (Custody Fee) combined decreased by 28.67% as of September 30, 2016 compared to the same period of the previous year. As these fees are all calculated as a percentage of the Fund's assets, they all decreased in proportion with the decrease in the Fund's average AUM.

Professional fees decreased by 23.51% to P44.8 thousand as of September 30, 2016 from P58.7 thousand last year. The decrease is due to higher legal fees paid in 2015 due to change of fund name.

Taxes and Licenses fell by 88.48% from P1.2 million last year to P139.0 thousand as of September 30, 2016, primarily due to lower documentary stamp tax arising from net redemptions for the period.

Registration fees increased by 72.08% to P66.8 thousand as of September 30, 2016. This is due to higher business permit fees paid in 2016.

Other expenses increased by 12.65% for the period ended September 30, 2016 over the same period of last year. This includes annual shareholders' and board meeting expenses, office rental, printing of reports and forms, mailing expenses and cost of office supplies. The increase in expenses is mainly attributed to timing difference as expenses relating to the 2015 shareholders' meetings were paid by the Fund in 2016. This is offset by a decrease in bank charges due to the change in custodian bank.

The Fund has identified the following Key Performance Indicators affecting its current operations.

1. Current Ratio =
$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Sep 2016	Dec 2015
113.67	239.66

The Fund's current ratio decreased from 239.66 as of December 31, 2015 to 113.67 as of September 30, 2016. The movement is attributed to the decrease in investment securities arising from redemptions during the period.

2. (Solvency) Debt to Assets Ratio =
$$\frac{\text{Total Liabilities}}{\text{Total Assets}}$$

Sep 2016	Dec 2015
0.009	0.004

The Fund's debt to assets ratio increased from 0.004 as of December 31, 2015 to 0.009 as of September 30, 2016. The movement is attributed to the decrease in investment securities arising from redemptions during the period.

3. Debt to Equity Ratio = $\frac{\text{Total Liabilities}}{\text{Total Shareholders' Equity}}$

Sep 2016	Dec 2015
0.009	0.004

The Fund's debt to equity ratio increased from 0.004 as of December 31, 2015 to 0.009 as of September 30, 2016. The movement is attributed to the decrease in investment securities arising from redemptions during the period.

4. Asset to Equity Ratio = $\frac{\text{Total Assets}}{\text{Total Shareholders' Equity}}$

Sep 2016	Dec 2015
1.009	1.004

The Fund's asset to equity ratio increased from 1.004 as of December 31, 2015 to 1.009 as of September 30, 2016. The movement is attributed to the decrease in investment securities arising from redemptions during the period.

5. Interest Coverage Ratio = $\frac{\text{Earnings before Interest \& Taxes}}{\text{Interest Expense}}$

Sep 2016	Dec 2015
n.a.	n.a.

The Fund does not have outstanding debt thus it does not pay any interest.

6. (Profitability) Net Profit Margin = $\frac{\text{Net Income}}{\text{Net Revenue}} \times 100\%$

Sep 2016	Sep 2015
268.69%	49.07%

The Fund's net profit margin decreased from 49.07% for the period ended September 30, 2015 to -268.69% this period. The increase was due to take up of impairment losses which was inadvertently not recorded in the previous interim F/S.

7. (Profitability) Operating Profit Margin = $\frac{\text{Operating Profit}}{\text{Net Revenue}} \times 100\%$

Sep 2016	Sep 2015
282.54	56.51%

The Fund's operating profit margin decreased from 56.51% for the period ended September 30, 2015 to 282.54% this period. The increase was due to take up of impairment losses which was inadvertently not recorded in the previous interim F/S.

Balance Sheet Items (AFS 2015 vs. 2014)

As of December 31, 2015, the fund's total assets stood at P2.48 billion, lower by 33.23% over previous year's figure of P3.72 billion. The decrease has been attributed to redemptions by shareholders and negative market revaluation.

Changes in the items on the asset side of the balance sheet mainly reflect shifts within investment asset classes. Cash and cash equivalents consist of cash in bank deposits and short-term investments. Cash in banks and investments are highly liquid assets used as standby funds for redemptions by shareholders and any future investment opportunities. In 2015, cash and cash equivalents decreased by 43.82% to P71.61 million at year-end. The decrease was mainly attributable to the timing in making investment decisions. Cash in bank fell by 64.71% to P3.2 million this year. Short-term deposits likewise decreased from P118.4 million a year ago to P68.4 million as of December 31, 2015.

Available for sale securities consists of investment in listed equity securities, treasury notes and corporate fixed rate bonds. Changes primarily reflect deliberate shifts in asset allocation among asset classes as determined by the Fund Manager as well as appreciation (depreciation) of investment securities and increase in shareholder's subscriptions. Total Available-for-Sale Securities as of December 31, 2015 decreased by 32.36%, to P2.4 billion compared to figure reported a year ago. Investment in Listed Equity Securities in 2015 decreased by 24.66% from P1.8 billion last year to P1.3 billion at year-end. Corporate Fixed Rate Bonds fell by P1.2 billion to P0.4 billion compared to last year while Government securities grew by P0.5 million to P0.7 billion as of December 31, 2015.

Other receivables pertain to the interest receivables, dividend receivables and settlement receivable from broker arising from the sale of investment securities. In total, it decreased by 55.38% from P77.4 million as of December 31, 2014 to P34.5 million as of December 31, 2015. The decrease is attributed to the decrease in Settlement receivables as of December 31, 2015.

Meanwhile, total liabilities in 2015 decreased by P73.5 million from P83.8 million as of December 31, 2014 to P10.4 million at year-end.

Payables to fund's investment manager, administrator and distributor whose fees are calculated as a percentage of assets under management decreased in line with the decrease of total assets. As of December 31, 2015, the fees payable to the investment manager, administrator and distributor amounted to P4.4 million as at December 31, 2015, a decrease by 30.92% compared to P6.3 million reported last year. Most of the major fees (Management, Distribution, Administration, and Custodian) will increase/decrease roughly in proportion to the change in the size of the assets under management. The size of the assets under management will vary according to the increase/decrease in the value of the Fund's investments as well as sales or redemptions of the Fund's shares.

Accounts payable is composed of accounts that are due to custodian, transfer agent, external auditors, legal personnel, shareholders and for stocks purchased which is due to stock brokers. In total, accounts payable fell

substantially by 96.45% to P2.5 million as of December 31, 2015. The decrease is mainly attributed to amount payable to shareholders, which consist of liabilities arising from the redemption of their investments and increase in amount payable to counterparties for transactions arising from the purchase of securities which are normally due for settlement within three (3) to five (5) days from the trade date.

Other Liabilities account is composed of withholding taxes, documentary stamps, supplier's accounts and other liabilities. As of December 31, 2015, other liabilities account decreased by 17.39% to P3.5 million compared to figure reported a year ago mainly due to decrease in accrued final tax on interest income and documentary stamp tax on subscriptions.

As a result, net asset value per share decreased by 9.19% from P2.3492 as of December 31, 2014 to P2.1334 as of December 31, 2015.

Income Statement Items (AFS 2015, 2014 and 2013)

Income for the Fund is generated primarily from realized gains on investments in listed securities, interest income from its fixed income investments, money market placements and dividends.

The Fund reported a net loss of P141.8 million for the year ended December 31, 2015, down by 231.50% over a year ago. On the other hand, it reported a net income of P107.8 million in 2014, up by 161.65% over 2013. The increase/decrease was principally driven by market volatility of Philippine stock market.

Gain on sale of AFS securities amounted to P13.1 million for the year ended December 31, 2015, down by 90.64% compared to the P140.4 million gain reported in the same period of last year. Last year, the gain on sale of AFS securities increased by 173.40% compared to the P51.4 million gain reported in 2013.

Dividend income remained flat in 2015 compared to the same period of last year while in 2014 it increased by 207.74% to P24.4 million compared to same period in 2013. The increase was attributable to the increase in dividend-paying equity securities and the healthy corporate earnings in 2014.

Interest income rose by 33.79% to P58.3 million for the year ended December 31, 2015 compared to reported interest income last year and increase by 185.02% to P43.5 million in 2014 from 2013. The increase is attributed to the fixed income securities which grew as a result of increase in cash in-flow from shareholders.

Meanwhile, operating expenses (before impairment loss) for the period ended December 31, 2015 remained relatively flat and amounts to P70.3 million. In 2014, operating expenses inched up by 134.65% to P70.3 million from a year ago mainly on higher fees which increase in proportion to the increase in the size of AUM. The provision for impairment loss for AFS likewise increased by 690.90% this year compared to last year which was largely caused by market volatility and prolonged decline of value of 20% or more for three years since acquisition.

Fees paid to the investment advisor (Management Fee), distributor (Distribution Fee), administrator (Administration Fee) and Custodian (Custody Fee) combined increased by 9.07% compared to the same period of the previous year and increased by 162.43% in 2014 from P23.3 million fees incurred in 2013. As these fees are all calculated as a percentage of the Fund's assets, they all increased in proportion with the increase in the Fund's average Asset Under Management year-on-year.

Professional fees for the year ended December 31, 2015 fell by 63.61% to P58.6 thousand from last year and slightly increased by 5.67% in 2014 compared to 2013 mainly due to over/under accrual of audit fees in prior years.

Taxes and Licenses for the year ended December 31, 2015 decreased by P5.5 million from last year and increased by P1.6 million in 2014 from the same period in 2013, primarily due to documentary stamp tax transactions which varies depends on the number of subscriptions received during a particular year.

Miscellaneous expenses remained flat for the period ended December 31, 2015 compared to the same period in 2014 but increased by 50.68% to P2.9 million in 2014 compared to the same period of 2013. Miscellaneous expense pertains to fund accounting fees, annual shareholders' and board meeting expenses, printing of reports and forms, mailing expenses and cost of office supplies. The increase is attributed to the increase in fund accounting fees which increases in line with the increase in AUM.

Per SRC Rule 68 and SEC Memorandum Circular No.3 – Guidelines in the Implementation of PFRS 9 (Financial Instruments Recognition and Measurement), the Fund has decided not to early adopt PFRS 9 (2009) or PFRS 9 (2010) for its 2014 interim financial reporting and therefore, do not reflect the impact of the said standard.

The Fund has evaluated the impact of the possible early adoption of either PFRS 9 (2009) or PFRS 9 (2010) in its financial statements. Based on the initial evaluation, early adoption will have a significant favorable impact on the result of operation and it will mainly cause by the amount of unrealized gain on financial instruments.

In case of early adoption of PFRS 9 (2009), the following financial statement accounts could possibly be affected:

- a) Available-for-sale (AFS) Securities
- b) Accounts receivable
- c) Unrealized gain(loss) on available-for-sale securities
- d) Retained earnings

TAXATION

Investors are advised to consult their own professional advisers as to the tax implications of subscribing for, purchasing, holding and redeeming shares of the Fund. Tax rulings and other investment factors are subject to rapid change.

STATEMENT OF ACCOUNT

Statements of account shall be sent to shareholders on a quarterly basis.

AUTOMATIC REINVESTMENT OF DIVIDENDS

Unless a shareholder elects to do otherwise, all dividends from the Fund will be automatically reinvested, without sales charges. Distributions will be reinvested at the NAVPS on the payment date established for the dividend.

Shareholders who do not wish to have dividends automatically reinvested in additional shares may choose to have payments of all dividends made in cash, net of tax.

MANAGEMENT OF THE FUND

THE INVESTMENT ADVISER

ATR Asset Management, Inc.

ATR Asset Management, Inc. ("ATRAM") formerly ATR KimEng Asset Management, Inc., a corporation duly organized and existing under the Philippine laws, with principal office at 8th Floor, 8 Rockwell Building, Hidalgo Drive, Rockwell Center, Makati City, 1210 Philippines, is the Investment Adviser of the Fund. In order to carry out the investment objective and policies of the Fund, it has entered into an Investment Advisory Agreement with ATRAM to manage and administer the assets of the Fund. Through the Investment Advisory Agreement, the guidelines for the management of the resources and operations of the Fund are set. The Investment Adviser, in addition to reimbursement of its expenses and disbursements in the administration and management of the portfolio including counsel fees, is entitled to receive as compensation for its services, The Fund will pay the Investment Adviser per Fee Agreement, an Annual Advisory/Management Fee of 0.50% percent p.a. based on the daily net assets of the Fund, payable monthly exclusive of Evat. The Investment Adviser is allowed to charge a fee of up to a maximum of five percent (5%) p.a. of the daily net assets of the Fund by the Board of Directors and at any point in time the agreed maximum rate may apply through the issuance of an amended Fee Agreement.

As investment adviser, ATRAM is primarily responsible for the management, investment and reinvestment of the Fund's portfolio. The scope of the Investment Adviser's responsibility covers economic/market research and analysis, investment review and evaluation, securities selection, accreditation and selection of counterparties, brokers and dealers as well as actual trade execution, all in accordance with the Fund's objective and policies.

The Investment Adviser does not have a right to designate or nominate a member or members of the Board of Directors of the Fund.

ATRAM was established in July 1995 and was originally named The Mutual Fund Management Company of the Philippines, Inc. The change in corporate name was approved by the SEC on December 17, 2009.

ATRAM has held an Investment Company Adviser ("ICA") license since 1995. This annually-renewed license permits its holder to manage the portfolio of a registered mutual fund. The SEC has approved ATRAM's ICA license for the current year for the following seven mutual funds:

1. ATRAM Philippine Balanced Fund, Inc. (formerly ATRKE Philippine Balanced Fund, Inc.);
2. ATRAM Philippine Equity Opportunity Fund, Inc. (formerly ATRKE Equity Opportunity Fund, Inc.);
3. ATRAM Alpha Opportunity Fund, Inc. (formerly ATRKE Alpha Opportunity Fund, Inc.);
4. ATRAM AsiaPlus Equity Fund, Inc. (formerly ATR KimEng AsiaPlus Recovery Fund, Inc.);
5. ATRAM Total Return Dollar Bond Fund, Inc. (formerly ATR KimEng Total Return Bond Fund, Inc.);
6. ATRAM Dynamic Allocation Fund, Inc. (formerly Optima Balance Fund, Inc.); and
7. ATRAM Corporate Bond Fund, Inc. (formerly Prudentialife Fixed Income Fund, Inc.)

In 2009, the Maybank ATR Kim Eng Group (formerly the ATR KimEng Group) decided to expand its presence in the fast growing domestic asset management industry by forming a dedicated business group called the ATR KimEng Asset Management Group or ATRAM Group. The ATRAM Group manages mutual funds through ATR KimEng Asset Management, Inc. ("ATRAM") and operates its trust business through the Trust Department of Maybank ATR Kim Eng Capital Partners, Inc. ("MATRKE Capital").

In late 2013, ATRAM Investment Management Partners Corporation ("AIMP"), a new holding company with a fresh capital of PHP300Million from existing and new investors, was established to be the new holding company for the ATRAM Group.

The Maybank ATR Kim Eng Group pursues its asset management business in the Philippines through ATRAM and the Trust Department of Maybank ATR Kim Eng Capital Partners, Inc. ("Maybank ATR KE Capital"), the Philippines' largest independent investment bank. This group of entities is known collectively as the ATR KimEng Asset Management Group ("ATRKE AMG"). As of December 31, 2012, Maybank ATR KE Capital has an 82.69% stake in ATRKE AMG, which in turn has a 96.09% equity interest in ATRAM.

On December 18, 2013, MATRKE Capital, a 100% indirect subsidiary of Malayan Banking Berhad (“Maybank”) through Maybank Kim Eng Holdings Limited, sold its 83% ownership in ATRKE AMG to AIMP. The Management Team of ATRAM Group which owns the balance of 17.31% of ATRKE AMG also sold their shareholdings to AIMP. On this date, ATRKE AMG and ATRAM ceased to be indirect subsidiaries of Maybank. In 2016, ATRAM organized ATRAM Trust Corporation, a 100% subsidiary, to operate as a stand-alone trust under the new BSP rule for trust corporation which was given license by BSP in December 2016. ATRAM Trust Corporation is sub-investment manager of ATRAM for all mutual fund companies under management. In 2016, ATRAM established ATRAM Trust Corporation, a wholly-owned subsidiary, to operate as a stand-alone trust corporation under the new BSP rule for trust corporations (BSP Circular 884). BSP granted ATRAM Trust Corporation authority to operate in October 2016 and it commenced operations on 23 November 2016. ATRAM Trust Corporation is a sub-investment manager of ATRAM for all mutual fund companies under management.

DIRECTORS AND OFFICERS OF THE INVESTMENT ADVISER

Ramon B. Arnaiz, 70 years old, Filipino, is the Chairman of the Board of Directors of ATRAM and is a member of its Investment Committee. He is concurrently the Chairman of the Boards of Maybank ATR KE Financial, Maybank ATR KE Capital, AsianLife and General Assurance Corporation (ALGA), Maybank ATR Kim Eng Fixed Income (Maybank ATR KE FI) and ATR Holdings. He is Vice Chairman of Tullett Prebon Philippines and is a director of ATR KimEng Land Corporation (ATRKE Land). He also serves as director and/or Chairman in other unlisted companies. He has over 30 years of experience in securities brokerage in the Philippines and abroad, having worked in the Madrid and London offices of Merrill Lynch, Pierce Fenner and Smith International and was a past Governor of the Makati Stock Exchange. Mr. Arnaiz is a graduate of De La Salle University and earned his MBA from the University of Santa Clara in California. He also completed the Harvard Business School’s Owner/President Management Program.

Manuel N. Tordesillas, 63 years old, Filipino, is a Board Director of ATRAM. He is concurrently the President of Maybank ATR KE Financial, Maybank ATR KE Capital, ATR KimEng AMG Holdings, Inc., and ATR Holdings, where he also sits in their respective Boards as a director. He has nearly 35 years of international and local investment banking experience, spending 11 years in Hong Kong where he worked for Citicorp International Limited and Peregrine Capital Limited just prior to returning to the country in 1995. He is also Chairman of the Board of ATRKE Land. He also serves as director and Vice Chairman of ALGA. Mr. Tordesillas is likewise a director of Maybank ATR KE FI and Tullett Prebon Philippines. He is currently the President of MET Holdings, Inc., Vice President of the Investment Houses Association of the Philippines, and member of the Board of Advisors of De La Salle University College of Business and Economics. Previously, he served as Chairman of Rockwell Residential Towers Condominium Corporation, President of the Harvard Business School Association of the Philippines and member of Committee on Trustees of International School of Manila. He obtained his MBA from Harvard University and his BS in Industrial Management Engineering from De La Salle University.

Michael V. Ferrer, 49 years old, Filipino, is a Board Director of ATRAM. He is also Director of the following companies: ATRAM Trust Corporation, Asian Investment Management Partners, Inc., ATRAM Investment Management Partners, Inc., ATR Kimeng AMG Holdings, Inc., BHF Partners, Inc., Next Future Investments, Ltd., Seedbox Technologies, Inc. and Sequoia Realty Holdings and Development, Inc. Prior to ATRAM, he spent 15 years with ING, rising to the position of Country Manager and Chief Executive Officer for ING Investment Management’s Philippines operation after gaining experience in portfolio management, corporate banking, risk management, sales and marketing functions. Following his Philippine assignments, he was made Country Manager for ING’s fund management subsidiary in Taiwan, where he integrated ING’s local operations with an acquired asset management business. He then moved on to Hong Kong to become ING’s Regional General Manager for South Asia, developing the group’s investment management distribution capabilities spanning the Pacific through the Middle East. Before his career at ING, he worked at a private equity fund, and helped establish an outsourcing venture engaged in engineering design. He obtained a Bachelor of Economics degree (magna cum laude) from the University of the Philippines with the distinction of ranking second in his graduating class.

Ben Thomas Pañares, 55 years old, Filipino, is a newly elected Director and President of ATRAM. He has 30 years of experience in trust, investment management, wealth management and financial services industry both in United States and Asia. Before joining ATRAM, he was the President of Citicorp Financial Services &

Insurance Brokerage Philippines, Inc. (2011-2015), Chief Operating Officer of Sun Life Asset Management Company, Philippines (2008-2011), President of Sun Life of Canada Prosperity Fund Bond, Inc., Sun Life of Canada Prosperity Balanced Fund, Inc., Sun Life of Canada Prosperity Philippine Equity Fund, Inc., Sun Life Prosperity Money Market Fund, Inc., Sun Life Prosperity GS Fund, Inc., Sun Life Prosperity Dollar Advantage Fund, Inc., Sun Life Prosperity Dollar abundance Fund, Inc. (2008-2011), Vice President–Financial Advisor of JP Morgan Chase in Houston, Texas (2003-2008), Vice President–Financial Consultant of Smith Barney Pte. Ltd. in Singapore (2001-2003), Vice President–Marketing Director and Director of Citigroup Asset Management, Philippines (1996-2001), Investment Specialist of Bank of America (1992-1996), Financial Planner of American Express (1991-1992), Finance Officer of Martex Enterprises, Inc. (1990-1991), Sales Manager of Jardine CMG Life (1988) and Senior Assistant Manager of PCI Brokers (1982-1988). He held the Monetary Authority of Singapore Dealer and Investment Advisor License, United States National Association of Securities Dealers Series 7, 65 and 63 and Texas Group 1 Insurance License. He obtained his MBA in International Management from Thunderbird, School of Global Management, in Glendale, Arizona and Bachelor of Science in Business Management from Ateneo de Manila University.

Ma. Victoria C. Viñas, 62 years old, Filipino, is an Independent Board Director of ATRAM. She is concurrently an Independent Director of Maybank ATR KE Financial and Maybank ATR KE Capital. Ms. Viñas is a consultant for several retirement funds. She is a Director and President of Anita Realty & Development Corporation, and a Director of Quorum International, Inc. (Toby's Sports); Sports Resources, Inc.; and TSF Systems, Inc. She is also Chairperson of RCW Foundation, Inc.; a Trustee of Kaisahang Buhay Foundation and University of Regina Carmeli; and a member of the Finance and Investment Committees of De La Salle Philippines, Inc., De La Salle Brothers, Inc. and La Salle Greenhills. She serves as an Independent Director for Maybank ATR KE Financial. Earlier, she was Senior Vice President at San Miguel Corp., handling its corporate finance and retirement funds, and before that she was Senior Vice President at AB Capital and Investment Corp. and Senior Assistant Treasurer at Bancom Development Corp. She received a BA in Economics (cum laude) from Maryknoll College and attended post-graduate courses at the University of Pennsylvania's Wharton School and the University of California - Berkeley.

David L. Balangue, 64 years old, Filipino, is an Independent Board Director of ATRAM. He is concurrently an Independent Director of Maybank ATR KE Financial, Maybank ATR KE Capital, and ALGA. He has been a PDIC consultant of Philippine Bank of Communications, Inc., a publicly listed bank, since 2010. He has been an independent director of Trans-Asia Oil and Energy Development Corp. since March 24, 2010 and Roxas Holdings, Inc. since December 1, 2011, both publicly listed companies. He is also a non-executive director of the Manufacturers Life Insurance Co. (Phils.) and Manulife Financial Plans, Inc. He is currently the Chairman of the Philippine Financial Reporting Standards Council which sets the accounting standards in the country. He is also the President of the Makati Commercial Estates Association and the Makati Parking Authority. He retired from Sycip Gorres Velayo and Co. where he served as Chairman and Managing Partner since January 2004 and as Partner since 1982. He worked in SGV Group's Korea office for eight years. He served as President of the Management Association of the Philippines in 2004, Financial Executives Institute of the Philippines in 2005, Philippine Institute of Certified Public Accountants in 2006 and Capital Markets Development Council in 2008. He holds a Master in Management Degree, major in Finance (With Distinction from the Kellogg Graduate School of Management of Northwestern University in Evanston, Illinois, USA, where he was an SGV scholar in 1977 and recipient of the Distinguished Scholar Award and elected to Beta Gamma Sigma, an exclusive honors fraternity. He earned his Bachelor of Science in Commerce, major in Accounting magna cum laude from the Manuel L. Quezon University in 1971. He placed second in the 1972 CPA board examinations.

Janine V. Sugay, 47 years old, Filipino, is a director and Head of Strategic Business & Analytics of ATRAM. She is concurrently an Assistant Corporate Secretary of ATRAM and ATR AMG. Ms. Sugay also serves as a director and Assistant Corporate Secretary of BHF Holdings. She previously held various posts at MATRKE Capital – Trust Department which includes Head of Strategic Business & Analytics, Head of Risk Management and Compliance and Head of Product Development. Ms. Sugay has over 20 years of work experience in asset management, of which almost 12 years were with ING Bank N.V. Manila Branch (Trust Department). She was part of the Funds Business Team as a product development officer and was later on appointed as Head of Product Development and Marketing Support. She graduated top of her class at the One-Year Course on Trust Operations and Investment Management conducted by the TIFP (then called Philippine Trust Institute). She earned a Bachelor of Arts degree in Management Economics from the Ateneo de Manila University.

Lilia C. Clemente, 75 years old, American, is a Senior Board Adviser of ATRAM. She is Chairman of Clemente Capital, Inc. ("CCI"), a New York-based investment manager, and of Clemente Capital (Asia), an investment advisory firm. She has been managing international and U.S. investments for more than 30 years. Before establishing her own firm in 1986, she was First Vice President and Chief Investment Officer-International Investments of Mitchell Hutchins Asset Management, Inc., a subsidiary of Paine Webber, Inc. Previously, she was Director of Investment Research and Assistant Treasurer at the Ford Foundation, and an investment analyst with CNA Financial Corp. She is a member of the Asian Securities Industry Institute, a Director of the U.S. Securities Industry Association, and a member of the Board of Directors of the China Securities Industry Institute. She earned a Master's in Economics at the University of Chicago, after completing studies at the University of the Philippines. She is one of the principals who organized ATRAM in 1995.

Leopoldo M. Clemente, Jr., 77 years old, American, is a Senior Board Adviser of ATRAM. He is Chief Investment Officer of Clemente Fund Management (Asia) Ltd., and also President and Chief Investment Officer of CCI. He presently serves as an investment consultant to the Carnegie Mellon University's technology incubator fund. He has over 30 years' worth of investment analysis and portfolio management experience. Prior to joining CCI in 1987, he served as Vice President and Portfolio Manager for Van Eck Management, Inc., where he managed the World Trends Fund, an open-end mutual fund. Before that, he was Vice President, Portfolio Manager and member of the Investment Policy Committee at Eberstadt Asset Management, Inc., handling that firm's global exposure and managing Eberstadt International Fund L.P. Earlier, he was an investment research officer at Marine Midland Bank, and before that a securities analyst at Merrill Lynch, specializing in the office equipment, computer, metals and mining industries. He received his MBA from Northwestern University, USA after completing studies at the University of the Philippines. He is one of the principals who organized ATRAM in 1995.

Manuel I. Briones, 64 years old, Filipino, has been the Compliance Officer for ATRAM since 2009. He is concurrently the Compliance Officer for the following funds: ATRAM Philippine Balanced Fund, Inc. (since 2009), ATRAM Alpha Opportunity Fund, Inc. (since 2009), ATRAM Total Return Dollar Bond Fund, Inc. (since 2010) ATRAM AsiaPlus Equity Fund, Inc. (since 2010), ATRAM Corporate Bond Fund, Inc. (since 2011) and ATRAM Dynamic Allocation Fund Fund, Inc. (since 2011). He joined ATRAM as Head of Operations in 1997 and became Executive Director for Operations in 2004. When he was appointed ATRAM's Compliance Officer, he was required to relinquish his duties as Executive Officer for Operations and his Certified Investment Solicitor License. Earlier in his career, he worked for Citicorp Investment Philippines, where he held various positions, the last of which was Assistant Manager in the Credit Administration Department (1975-1985). He was later seconded to Citytrust Banking Corp. (1985-1992) as a result of Citibank NA's formation of a universal bank via merger of three of its local units (FNCB Finance, Citicorp and FEATI Bank). At Citytrust, he headed the Pre-Processing/Documentation Unit and the Accounting Unit of the Trust Banking Group, and was concurrently appointed Assistant Manager of Citytrust Securities Corp., a stock brokerage which he helped organize. He later moved to Asiatrust Development Bank as Trust Officer (1992-1995), and then to Insular Life Savings and Trust Company as Trust Operations Head (1995-1997). He was named one of the Ten Most Outstanding Employees of Makati by the Rotary Club of Makati in 1979. He holds an SEC license for Compliance Officers. He obtained his Bachelor of Commercial Science, major in Management, from Jose Rizal University.

Joel T. Nuqui, 39 years old, Filipino, is the Treasurer and Assistant Vice President for Finance & Administration of ATR Asset Management Inc.(ATRAM). Prior to joining ATRAM, he held several Finance and Accounting positions with several non-life insurance companies where he utilized data-driven financial models that led to the discovery of opportunities and execution of positive results through revenue growth, cost management, loss minimization and capital optimization. His strong track record in finance has gained him expertise in Financial Reporting, Planning and Control. He worked with Executive Management on budget development and long term planning. He is a Certified Public Accountant. He obtained his Bachelor of Science degree in Accountancy at the Polytechnic University of the Philippines in 1997.

Ma. Alicia G. Picazo-San Juan, 45 years old, Filipino, has been the Corporate Secretary of the ATRAM since May 2010 to present. She is a Partner at Picazo Buyco Tan Fider & Santos Law Offices (2005-present) and formerly a Senior Associate (2000-2004) and Junior Associate (1996-2000) of the same firm. She worked at the Office of Legal Aid, University of the Philippines. She also serves as the Corporate Secretary for ATRAM Alpha Opportunity Fund, Inc., since May 2010 to present; ATRAM Total Return Dollar Bond Fund, Inc., and ATRAM AsiaPlus Equity Fund, Inc. since September 2009 to present, ATRAM Corporate Bond Fund, Inc., ATRAM

Dynamic Allocation Fund, Inc.; and ATRAM Philippine Balanced Fund, Inc. since June 2011 to present. She has served as the Assistant Corporate Secretary of SSI Group, Inc. since June 2015. She is a member of the University of the Philippines Women Lawyers' Circle and the FINEX (Financial Executives Institute of the Philippines). She obtained her Bachelor of Laws (cum laude) from the University of the Philippines (1996) and at the same time received various awards and honors. She finished her B.S. Management Degree, major in Legal Management (magna cum laude) from the Ateneo de Manila University (1992). She passed the Philippine Bar Examination in 1997.

Lyne L. Arnaldo-Vega, 38, Filipino, has been the Assistant Corporate Secretary of the ATRAM since 2015 to present. She is a Partner at Picazo Buyco Fider Tan & Santos Law Office. She also serves as the Assistant Corporate Secretary for ATRAM Equity Opportunity Fund, Inc., ATRAM Philippine Balanced Fund, Inc., ATRAM Alpha Opportunity Fund, Inc., ATRAM Total Return Dollar Bond Fund, Inc., and ATRAM AsiaPlus Equity Fund, Inc. since 2010. Prior to her legal career, she was connected with Software Ventures International as a Systems Analyst and Programmer. She obtained her Bachelor of Laws from the University of the Philippines and Bachelor of Science in Business Administration (cum laude) also from the University of the Philippines.

FUND ADMINISTRATION AND ACCOUNTING

ATRAM will provide fund administration services to the Fund and will be paid 0.15% of the average daily net assets of the Fund subject to a minimum fee of P300,000.00.

On October 20, 2011, Deutsche Bank AG Manila Branch (Domestic Custody Services) took over the function of fund accountant from ATRAM. It will provide fund accounting and share price accounting to the Fund. In consideration of the services to be rendered by the Fund Accountant, the Fund shall pay the higher value of 0.05% of daily NAV at 360 days count or Php 10,000 a month. This fee is part of the 0.15% administration/fund accounting fee to be paid to ATRAM by the Fund.

TRANSFER AGENT

ATR Asset Management, Inc. ("ATRAM") formerly ATR KimEng Asset Management, Inc. will serve as the Fund's Transfer Agent. Transfer Agent services include, but are not limited to: account registration and preparation of the Board of Directors Meetings and Annual Shareholders Meetings.

In consideration of the services to be rendered by the Transfer Agent, the Fund shall pay the Transfer Agent a fee of P10/account per month or P240,000 whichever is greater.

CUSTODIAN

Citibank N.A. will serve as Custodian of the Fund's assets. The Custodian's duties include receipt of securities, identification and segregation of assets, registration of assets, accomplishment of reports and records, and custody of investments and fees. All proceeds from the sale of shares/securities, including the original subscription/payments at the time of incorporation constituting the paid-up capital of the investment company, shall be held by the custodian.

In consideration of the services to be rendered by the Custodian, the Fund shall pay the Custodian the following fees:

Custody Safekeeping Fees	US\$0-100MM	US\$100-500MM	US\$500MM+
Equities (based on market value)	1.50 bps	1.25 bps	1.00 bps
Fixed Income(based on nominal value)	2.50 bps	2.25 bps	2.00 bps

DEPOSIT TAKING OR RECEIVING BANKS

Banco de Oro Universal Bank, Inc. and Bank of the Philippine Islands shall serve as deposit-taking or receiving banks of the Fund to accept subscription deposits from clients and remit these to Citibank as custodian of the assets of the Fund. There is no compensation for the receiving banks except for the maintenance of a minimum balance of deposit.

LEGAL COUNSEL AND INDEPENDENT AUDITOR

LEGAL COUNSEL

Picazo Buyco Tan Fider & Santos Law Offices
 18/F, 19/F, 10/F and 17/F Liberty Center, 104 H.V. dela Costa St., Salcedo Village
 Makati City, Metro Manila, 1200 Philippines
 Telephone No.: +632 888-0999
 Facsimile No.: +632 888-1011

INDEPENDENT EXTERNAL AUDITOR

SyCip Gorres Velayo & Co.
 6760 Ayala Avenue
 Makati City, Metro Manila, 1226 Philippines
 Telephone No.: +632 891-0307
 Facsimile No.: +632 819-0872

On February 16, 2012, the Board of Directors and Audit Committee Members duly approved the change of external auditor from Manabat, Sanagustin & Co. to SGV & Co. The change was decided for the interest of the shareholders due to higher 2011 audit fees proposed by Manabat Sanagustin & Co. against SGV & Co. The Fund paid PHP113,836.80.00 for the FY2015 audit, PHP108,416.00 for the FY2014 audit, and PHP98,560.00 for the FY2013 audit. The partner from SGV & Co. handling the Fund is Bernallete L. Ramos.

While Manabat, Sanagustin & Co. was the Fund's independent external auditor, the partner who handled the Fund was Ms. Sharon G. Dayoan. The change in the Fund's independent auditor was not due to any disagreements with its former auditors on any matter of principles or practices, financial statement disclosure or auditing scope or procedure. There were no other related services provided by the external auditor for tax accounting, compliance, advice, and planning except for the above.

The Audit Committee pre-approved all audit plans, scope and frequency before the start of the external audit. The Audit Committee, together with the Board of Directors, reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

THE FUND

ATRAM PHILIPPINE BALANCED FUND, INC.

(FORMERLY ATRKE PHILIPPINE BALANCED FUND, INC.)

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