

FINAL PROSPECTUS

OF

PHILEQUITY DIVIDEND YIELD FUND, INC.

AN OPEN-END INVESTMENT COMPANY

10,000,000,000 Shares
COMMON STOCK

The number of shares to be offered is Ten Billion (10,000,000,000) shares previously registered with the Securities and Exchange Commission, with par value One Peso (₱1.00) per share. All shares shall be offered and subscribed based on the Next Computed Net Asset Value Per Share after subscription is made. The shares to be offered are not listed in the Philippine Stock Exchange, and shall be issued and redeemed through its principal distributor, Philequity Management, Inc. (PEMI).

PHILEQUITY MANAGEMENT, INC.
Principal Distributor
Suite 2004A, East Tower,
Philippine Stock Exchange Center
Exchange Road, Pasig City, Philippines
Tel. No. 689-8080

This Prospectus is dated February 24, 2016

PHILEQUITY DIVIDEND YIELD FUND, INC.
2004 East Tower, Philippine Stock Exchange Centre,
Exchange Road, Ortigas Center, Pasig City
Telephone Number: (632) 689-8080
Fax Number: (632) 706-7095

This Offering Prospectus relates to the offer and sale of Ten Billion (10,000,000,000) Common Shares (the "Offer", and such shares, the "Other Shares") of which were previously registered with Securities and Exchange Commission, with par value of ₱1.00 per share, of Philequity Dividend Yield Fund, Inc. (hereinafter, the "Fund" or the "Company"), a corporation organized under Philippine law.

The Offer Shares are offered at the net asset value ("NAV") per share for the banking day, if payment is made within the daily cut-off, plus a sales load fee.

All of the Common Shares of the Company in issue or to be issued pursuant to the Offer (collectively the "Shares") are unclassified and have, or upon issue will have, identical rights and privileges. The Shares may be owned by any person or entity regardless of citizenship or nationality subject to the limits prescribed by Philippine laws on foreign ownership for certain types of domestic companies.

Each holder of Shares will be entitled to such dividends as may be declared by the Company's Board of Directors (the "Board"). See "Dividend Policy" on page 8 and "Distribution of Dividends" on page 27 of this Prospectus for a more detailed discussion.

Unless the context indicates, otherwise, any references to the "Company" refer to Philequity Dividend Yield Fund, Inc. The information contained in this Prospectus relating to the Company and its operations has been supplied by the Company, unless otherwise stated herein. To the best of its knowledge and belief, the Company (which has taken all reasonable care to ensure that such is the case) confirms that the information contained in this Prospectus relating to the Company and its operations is correct, and that there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect. The Company hereby accepts full and sole responsibility for the accuracy of the information contained in this Prospectus as of the date hereof but shall not, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since such date.

At present, there is no formal or organized secondary market for the purchase and sale of shares similar to the Offer Shares in the Philippines. The sale of the Offer Shares will not be underwritten. The Offer Shares will be primarily sold through the Fund's investment manager, Philequity Management, Inc. (PEMI). PEMI, as distributor and investment manager of the Fund, shall be paid a monthly fee equivalent to a maximum of three percent (3.0%) per annum of the average net asset value of the Fund's assets computed on a daily basis.

In making an investment decision, investors must rely on their own examination of the Company and the terms of the Offer, including the material risks involved. The Offer is being made on the basis of this Prospectus only.

As the Fund will be investing primarily in PSE-listed companies, various factors, such as market conditions, general political and economic situations, and the performance of, and development of, the PSE listed companies may affect the prices of the stocks wherein the Fund is invested. Further, other risks such as market, credit, liquidity and operational risk should also be taken into consideration. Consequently, there may be instances when the redemption prices of redeemed shares may be less than the prices at which the shares were originally purchased.

Application has been made to and approval has been issued by the Philippine SEC to the registration of the Offer Shares under the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799).

Any inquiries regarding this Prospectus should be forwarded to the Company.

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

The information contained in this Prospectus has been supplied by Philequity Dividend Yield Fund, Inc., unless otherwise stated. Philequity Dividend Yield Fund Inc. accepts full responsibility for the accuracy of the information given herein, and confirms that there are no omissions of fact which would make any statement in this Prospectus misleading. Philequity Management, Inc., the investment manager of Philequity Dividend Yield Fund, Inc., has exerted reasonable efforts to verify the information herein and does not make any representations or warranties as to the accuracy or completeness of the materials contained herein.

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PRINCIPAL PARTIES TO THE OFFER

REGISTRANT

Philequity Dividend Yield Fund, Inc.
2004A East Tower, Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City, Metro Manila
Telephone No.: 689-8080
Website: www.philequity.net

INVESTMENT MANAGER, ADVISOR AND DISTRIBUTOR

Philequity Management, Inc.
2004A East Tower, Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City, Metro Manila
Telephone No.: 689-8080
Website: www.philequity.net

CUSTODIAN

Philippine Depository & Trust Corp.
37th Floor, Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo De Roxas
Makati City
Telephone No.: 884-5000

TRANSFER AGENT

BDO Unibank, Inc. – Trust and Investments Group
15th to 17th Floors, South Tower,
BDO Corporate Center
7899 Makati Avenue, Makati City
Telephone No.: 878-4265 and 878-4244
Website: www.bdo.com.ph

LEGAL COUNSEL

Tan Venturanza Valdez Law Offices
2704 East Tower, Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City, Metro Manila
Telephone No.: 632-0905
Website: www.tvvlaw.com

EXTERNAL AUDITOR

SyCip GorresVelayo& Co.
6760 Ayala Avenue
Makati City
Telephone No.: 891-0307
Website: www.sgv.ph

PROSPECTUS SUMMARY

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

Issuer

Philequity Dividend Yield Fund, Inc. with office address at 2004 East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City. The Fund's telephone and fax numbers are (632) 689-8080 and (632) 706-0795, respectively.

The general character of the business of the Fund is an Open-End Mutual Fund established under the Investment Company Act, R.A. 2629. The Fund operated as an investment company with a focus on long-term capital appreciation by investing in companies listed on the PSE that distribute dividends.

Shares Offered/Par Value

Common stock with par value of One Peso (₱1.00) per share. Stockholders who have subscribed and paid for the original capital of the Fund, are not allowed to sell, transfer, convey, encumber or otherwise dispose of their shares/securities within twelve (12) months from the registration of the Fund.

Offering Price

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

Total Outstanding Shares after the Offer

The total number of outstanding shares of the Fund is Ten Billion (10,000,000,000).

Proceeds from the Offering

The total proceeds expected to be raised by the Fund is Twelve Billion Seven Hundred Forty Five Million Pesos (12,745,000,000) at the Net Asset Value per share of ₱1.2745 as of July 31, 2015. The net proceeds from the sale of securities will be used in investing primarily in companies listed with the Philippine Stock Exchange. All proceeds, including the original subscription payments at the time of incorporation constituting the paid in capital of the investment company shall be held by the settlement bank, specifically BDO Unibank. On the other hand, the custodian for the securities shall be the Philippine Depository and Trust Corporation. For a more detailed discussion, please refer to the section entitled "Use of Proceeds."

Sales Load

The sales load fee shall be a maximum of five percent (5.0%) of the value of the investment.

Daily Cut-Off Time

12:00 noon

Minimum Investment

Five Thousand Pesos (₱5,000.00) for initial investments and One Thousand Pesos (₱1,000.00) for additional investments. Investment shall be on cash basis only. Installment payments are prohibited.

Redemption Price

The redemption price of the securities surrendered within the daily cut-off time shall be the next computed NAV per share after the request for redemption is received. Securities surrendered after the daily cut-off time shall be deemed to have been received on the following banking day.

Redemption Charge

A redemption fee of up to a maximum of two percent (2.0%) of the redemption proceeds will be deducted therefrom if redeemed within the first ninety (90) days of investment. No redemption fee shall be deducted if redeemed beyond ninety (90) days from the time of investment.

Management Fee and Expenses

A monthly management fee equivalent to a maximum of three percent (3.0%) per annum of the average net asset value of the Fund's assets computed on a daily basis shall be payable by the Fund to its investment manager, Philequity Management, Inc. Certain operating expenses of the Fund are deemed covered by the management fee and shall be for the account of Philequity Management, Inc.

Investment Policies and Objective

The investment objective of Philequity Dividend Yield Fund, Inc. is to achieve long-term capital appreciation and generate regular income by investing primarily in companies listed on the PSE that pay out dividends. It is categorized under SEC ICA Rule 35-1 as long term and income-oriented.

Risk Factors

As the Fund will be investing in PSE Index stocks, various factors, such as market conditions, general political and economic situations, and the performance of corporations whose stocks comprise the Phisix may affect the prices of the stocks wherein the Fund is invested. Further, other risks such as market, credit, liquidity and operational risk should also be taken into consideration. Consequently, there may be instances when the redemption prices of redeemed shares may be less than the prices at which the shares were originally purchased.

Dividend Policy

Subject to compliance with the requirements of applicable laws and regulations, and the absence of circumstances which may restrict the payment of dividends, only surplus profits in excess of one hundred (100%) percent of the Corporation's paid-in capital stock shall be declared as cash dividends. The existence of surplus profits available for distribution as cash dividends shall be reviewed in the month of April of every year, or when the annual audited financial statements become available, whichever is later. The declaration and payment of such cash dividends shall be made by the Company on the following month thereof. The amount of cash dividends declared and paid shall automatically be reinvested in new shares of stock of the Fund, for which no sales load fees will be charged. Any redemption of such reinvested shares shall be subject to redemption charges as stated under the heading Redemption of Shares.

SUMMARY OF FINANCIAL INFORMATION

The selected financial information set forth in the following table has been derived from the Company's audited Financial Statements for the year ending December 31, 2014 and interim unaudited Financial Statements for the six-months ending June 30, 2015. This consolidated financial data should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included elsewhere in this Prospectus.

The Company's audited financial statements for the said period were prepared by the Company's management and audited by SyCip GorresVelayo& Co. in accordance with Philippine Financial Reporting Standards (PFRS). The summary of financial information set out below does not purport to project the results of operations or financial condition of the Company for any future period or date. The complete audited financial statements of the Company are attached to this Prospectus.

Statement of Financial Position

	Unaudited June 30, 2015	Audited December 31, 2014
<hr/>		
ASSETS		
Cash and cash equivalents	539,944,081	545,580,897
Financial assets at fair value through profit or loss	3,605,360,594	2,632,421,452
Receivables	7,083,871	3,847,041
	<hr/>	<hr/>
	4,152,388,546	3,181,849,390

GLOSSARY

For the purpose of this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below:

BSP	Bangko Sentral ng Pilipinas
Custodian	Philippine Depository and Trust Corporation
Investment Manager	Philequity Management, Inc.
Investor	Any individual, association or corporation who desires to invest in the shares of the Fund
NAV	Net Asset Value
NIRC or R.A. 8424, As Amended	National Internal Revenue Code of 1997, as amended
Pesos or ₱	Philippine Peso, lawful currency of the Philippines
Phisix Index	Philippine Stock Exchange Composite Index is a fixed basket of thirty (30) common stocks of listed companies, carefully selected to represent the general movement of the stock market.
Principal Distributor	Philequity Management, Inc.
PSE or the "Exchange"	Philippine Stock Exchange, Inc.
R.A. 2629	Republic Act No. 2629 or the Investment Company Act
SEC or the "Commission"	Securities and Exchange Commission
Shareholder or Stockholder	Any natural or juridical person who has subscribed to the shares of the Fund.
The "Fund" or the "Company"	Philequity Dividend Yield Fund, Inc.
Transfer Agent	Banco de Oro Unibank, Inc.

RISK FACTORS

Before investing in the Fund, an Investor should ensure that he fully understands the nature and terms of the investment, the relevant risk factors, as well as the nature and extent of his risk of loss. He should also carefully evaluate whether a mutual fund investment is appropriate for him in light of his experience, objectives, financial resources and other relevant circumstances, and whether he has the willingness and ability to accept the risks inherent in this kind of investment vehicle.

Prior to making an investment decision, the prospective investors should carefully consider the risks described below in addition to the other information set forth in this Prospectus. However, this section does not purport to disclose all risks and other significant aspects of investing in the Offered Securities. The investment considerations and risks enumerated hereunder are considered to be each of equal importance.

Investors deal in a range of investments, each of which may carry a different level of risk. The occurrence of any of the events discussed below and any additional risks and uncertainties not presently known to the Company or that are currently considered immaterial could have a material adverse effect on the Company's business, results of operations, financial condition and prospects and may cause the market price of the securities offered to fall significantly and investors may lose all or part of their investment.

RISK OF INVESTING

General Risk Warning

The price of securities can and does fluctuate, and the price of an individual security may experience upward or downward movements, and may even lose all of their value. There is an inherent risk that losses may be incurred rather than profits made as a result of buying and selling securities. Past performance is not a guide to future performance. There is an extra risk of losses when securities are bought from smaller companies. There may be a significant difference between the buying price and the selling price of these securities. An investor deals in a range of investments each of which may carry a different level of risk.

Prudence Required

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

Professional Advice

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

The Fund intends to invest in a portfolio of primarily PSE-listed companies that pay out dividends. As with any investment, a fund's past performance is no guarantee of its future success. Over the long-term, however, the success or failure to profit in the Fund will depend on the following: (i) the Fund's sales charges, fees and expenses; and (ii) the Fund's risks and volatility

Various risk factors can affect the market value of the assets of the Fund and can cause a fluctuation of the Fund's net asset value. The Fund, however, adopts steps to minimize, if not eliminate, the effect of these risks. The major risks facing the Fund are as follows:

1. **Market Risk** is the risk that the value of an Investor's mutual fund investment will be adversely affected by the fluctuations in the price level or volatility of one or more of the underlying instruments of the mutual fund. This consists of two main components:
 - a. **Systematic Risk** – is the variability in price caused by factors that affect all securities across all markets (e.g. significant economic or political events). This may

be seen in connection with the Country Risks. To lessen the impact of systematic risk, the Fund from time to time will increase its allocation to cash or equivalents during extreme market volatility. The increase allocation to cash should mitigate somewhat the volatility of the securities in the portfolio and lower the systematic risk to the Fund.

- b. **Unsystematic Risk** – is the variability in price caused by factors which are specific to the particular issuer (PSE-listed companies) of the shares of stocks. Through proper portfolio diversification, this risk can be minimized as losses on one particular stock may be off-set by gains in another.

There are two types of market risk namely:

- a. **Interest Rate Risk** – This refers to the change in the bond price due to factors affecting the market such as interest rates. A change in interest rate is the period when rates rise or fall thus causing the decline or increase in the market price of the bonds held by the Fund, if any. This risk is minimized by closely monitoring the direction of interest rates and aligning it with the appropriate strategy of the Fund.
 - b. **Equity Price Risk** – This refers to the changes in prices of equity investments held by the Fund. This is affected by the volatility due to different market factors, changes in prices of equity refer to the equity investments held by the Fund either for strategic or trading purposes. These equity investments, if any, are subject to the daily price fluctuations, as determined by market forces. Hence, prices may vary as a result of the general economic and political conditions, as well as developments in the company's operations and overall profitability. To manage this risk, the equity investments included in the Fund's portfolio are carefully selected based on their fundamental soundness.
2. **Credit Risk** is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Maximum exposure to credit risk

The Fund's maximum exposure to credit risk is limited to the carrying value of its financial assets as of reporting date. The Fund does not hold any collateral or other credit enhancements that will mitigate credit risk exposure.

Credit quality per class of financial assets

The Fund rates its financial assets based on internal credit rating system. The Fund only invests in high grade financial assets. High grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in local banks belonging to the top twenty banks in terms of resources and profitability. High grade accounts are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

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

The Fund is exposed to daily cash redemptions of redeemable participating shares. The Fund is exposed to the risk of being unable to meet its payment obligations to redeeming shareholders. It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

To limit this risk, the Fund strictly complies with Investment Company Act Rule 35-1 (Rule) which requires all Investment Companies/Mutual Funds to invest at five 5% of its net

assets in liquid assets. This Rule defines such assets as (a) Treasury notes or bills, Certificates of Indebtedness issued by the Bangko Sentral ng Pilipinas which are short-term and other government securities; and (b) savings or time deposits with government or commercial banks in the name of the Fund.

4. **Operational Risk** (also called ‘Operations risk’) is the risk to earnings or capital arising from problems with service or product delivery. This risk is a function of internal controls, information systems, employee integrity and operating processes. Different institutions have different definitions of operations risk. Some institutions focus only on procedural risks, while others categorize all risks other than credit, market and liquidity under operations risk.

Operations risks refer to possible breakdowns in internal controls and corporate governance, error and fraud, technology failure, business disruptions and unpredictable external events. These circumstances can be very costly for a company. Thus, companies must proactively manage operations risk in order to minimize losses, remain competitive and protect shareholder value.

To mitigate the risk, the Company implements sound system of internal control which includes but not limited to segregation of functions among the different personnel, tight security administration and back-up plan, daily reconciliation of nostro accounts, confirmation or call back procedure, monitoring of exceptions and errors. Likewise, personnel are updated with current regulations affecting the funds.

5. **Country Risk**

The success of the Fund’s investments may be influenced by the general political situation in, and the state of the economy of, the Philippines.

The general political and economic situations of the country also influence the net asset value of the Fund. As an illustration, when the country’s general political and economic situations are perceived to be in turmoil, investors view this situation as the time to pull out their placements and move these funds to better quality, safer, lower risk investments such as the US dollar or at the least place these funds with bigger financial institutions/banks, until such situations normalize. As a consequence, these instances can result to the redemption prices of redeemed shares being less than the prices at which the shares were originally purchased. Investors who redeem their shares may not be able to recover the full cost of their investment. However, historical experience has shown that a portfolio consisting of debt instruments which are guaranteed by their respective issuers are relatively low risk as compared to a portfolio which includes of equity and quasi-equity securities. Ordinary investors are given the opportunity to avail of higher interest yield that require high minimum investments at low risk.

During the last decade and up to the present time, the Philippine economy has from time to time experienced periods of slow or negative growth, high inflation, and devaluations of the Peso. In addition, the Philippines has a large foreign debt. The foregoing risks are beyond the control of the Fund.

To somewhat lessen the impact of risk originating from economic and political factors in the Philippines, the Fund will continuously monitor and assess various economic indicators as well as political factors of the country to gauge if certain risk exists that might have a significant effect on the net asset value of the Fund. Economic factors such as GDP, growth in remittances from overseas workers, business process outsourcing revenues, inflation rate, lending and borrowing rates; and country’s debt-to-GDP. Political factors the Fund might monitor are political decisions made by the administration, status of reforms being administered by the government and foreign investor’s perception of doing business in the Philippines.

The following are additional risks present in the Fund which are not quantifiable:

1. Regulatory Risk

The Fund's investment and operations are subject to government regulation, which are subject to change from time to time. Regulations such as taxation and accounting rules may have a significant impact in the performance of the Fund which may either be positive or negative for the shareholders of the Fund. To address this risk the Fund will keep itself abreast with all regulatory changes that may have an impact on the Fund's operation and assets and seek to communicate and dialogue with departments concerned. In addition, the Fund will be an active member of the Philippine Investment Fund Association through which it may recommend changes in regulatory policies that affect the mutual fund industry.

2. Non - Guarantee

Investments made in Mutual Funds which the Fund is classified as, is not guaranteed by the Philippine Depository Insurance Corporation (PDIC). Therefore investors of the Fund are subject to higher risk of losing their capital without any form of guarantee. Moreover, like any similar risk type of investment, past performance of the Fund is not an indicator of the future performance of the Fund. In order to lessen the risk of loss of capital for the investors of the Fund certain risk-mitigating measures like diversification, investing only in high-quality and highly liquid companies listed in the Philippine Stock Exchange will be strictly observed by the Fund.

3. Dilution Risk

Being an open-ended mutual fund, shares are continuously subscribed and redeemed which may dilute its current shareholders as more shares are being subscribed. In addition the control and influence investors have over the management of Fund decreases as shares are continually subscribed. Given this inherent risk, the Fund Manager will impose an early redemption fee for investors who redeem from the Fund during the stipulated minimum holding period.

4. Fund Manager Risk

In general, the performance of a mutual fund is dependent on the expertise and experience of the Fund Manager. Although a fund's performance is affected by, but not limited to economic, market, political and regulatory factors, decisions made by the Fund Manager has a direct impact on the performance of the Fund. In order to mitigate this risk the Fund Manager will adhere to a thorough investment process, considering macroeconomic as well as company-specific factors before making an investment decision.

FUND FEATURES

THE FUND

Philequity Dividend Yield Fund, Inc. was incorporated on 2 August 2012. The general character of the business of the Fund is an Open-End Mutual Fund established under the Investment Company Act, R.A. 2629. The Fund operates as an investment company with a focus on long-term capital appreciation and income generation by investing primarily in companies listed on the PSE that distribute dividends. The Fund issues mutual fund shares for sale to the public. Said mutual fund shares are sold through its Principal Distributor, Philequity Management, Inc. ("PEMI") in accordance with the Management and Distribution Agreement. The Fund is ready to redeem or buy back the shareholding of any investor at the applicable NAV per share.

The Fund aims to provide small investors access to a diversified portfolio of shares of listed companies that distribute dividends. The Fund provides them an opportunity to reap returns provided by listed companies with good potential for future growth through professional management and supervision of said investors' funds.

The Fund shall maintain a portfolio of equity securities consisting solely of stocks of PSE-listed companies. The investment objectives, policies and initial investment plans are discussed in detail under the topics Investment Objective and Investment Policies and Investment Restrictions.

The Fund appointed PEMI as its investment manager and principal distributor. A detailed description of the duties of PEMI as investment manager and distributor, the investment procedure and the plan of distribution are discussed under the topic Parties Involved in the Fund and in the Management and Distribution Agreement.

The Fund's securities and investments will be held by Philippine Depository and Trust Corporation, the Fund's Custodian.

INVESTMENT OBJECTIVE AND POLICIES

The Fund's primary objective is to create long term capital gains through investing primarily in equities listed in the PSE that distribute dividends. Due to the nature of the Funds' primary investments, the Fund is classified as aggressive. However, the fund will take into consideration the liquidity and safety of its investments to protect the interest of its investors.

The maximum investment of the Fund in the equity of any one PSE-listed company shall be determined by the size of the Fund, the risk profile of the PSE-listed company, interest rates, and the yield offered by the company.

The Fund intends to invest its assets in a variety of Philippine industries to achieve diversification, but will act as such within the provision of applicable laws and regulations as stated in the investment restrictions.

INVESTMENT RESTRICTIONS

The investments and operation of the Fund shall be subject to the following limitations and restrictions:

1. The maximum investment in any single enterprise, except obligations of the Philippine government and its instrumentalities, shall not exceed an amount equivalent to fifteen percent (15%) of the Fund's net asset value, nor shall the total investment of the fund exceed ten percent (10%) of the outstanding securities of any one investee company.
2. For liquidity purposes, unless otherwise prescribed by the Commission, the Fund shall invest at least five percent (5%) of its net assets in liquid/semi-liquid assets, such as:
 - (a) Treasury notes or bills, Bangko Sentral ng Pilipinas ("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 or any other government.
 - (b) Savings or time deposits with government-owned banks or commercial banks, provided that in no case shall any such savings or time deposit account be accepted or allowed under a "bearer", "numbered" account or other similar arrangement.

In accordance with the requirement of SEC Memorandum Circular No. 12 (series 2013), the Company shall submit a Liquidity Contingency Plan to the Commission before it implements a decreased investment of less than ten percent (10%) in liquid/semi-liquid asset to five percent 5%.

3. Unless the applicable Philippine laws, rules and regulations, and orders of the Securities and Exchange Commission ("SEC") provide otherwise, the Fund shall not sell securities short nor invest in any of the following:
 - (a) margin purchase of securities (investments in partly paid shares are excluded)

- (b) commodity futures contract
- (c) precious metals
- (d) unlimited liability investments

4. Unless otherwise prescribed by the Commission, 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 previous year's audited financial statements. The formula shall be as follows:

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

5. The Fund shall not incur any further debt or borrowing unless at the time of its incurrence or immediately thereafter there is a net asset coverage of at least three hundred percent (300%) for all its borrowing, or such net asset coverage as the applicable Philippine laws and regulations may prescribe. In the event that such asset coverage shall at any time fall below 300% or the coverage required by law, the Fund shall within three (3) days after, or such period as the applicable Philippine laws and regulations may require, reduce the amount of borrowings to an extent that the net asset coverage shall be at least 300% or the coverage required by law.

6. Unless permitted by applicable Philippine laws, rules or regulations, the Fund shall not participate in an underwriting or selling group in connection with the public distribution of securities, except its own capital stock.

7. The Fund shall not purchase from or sell to any of its officers or directors, or to any of the officers or directors of its investment adviser/s, manager or distributor/s or firm/s of which any of them are members, any security other than the capital stock of the Fund.

8. The Fund may invest one hundred percent (100%) of its net assets in foreign securities subject to the limitations provided by SEC Memorandum Circular (MC) No. 7 Series of 2005, as amended by SEC MC, No. 10 Series of 2006, providing for the "Guidelines on the Evaluation of Foreign Investment by Mutual Fund Companies", and any other limitations and restrictions as the Commission may prescribe.

TERMS AND PRICING OF SECURITIES

1. Eligible Investors

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

2. Offering Price

The price at which the securities are to be sold is at the Net Asset Value ("NAV") per share on the day of the purchase. A sales load fee shall also be charged on the day of the purchase.

The daily cut-off time for the reckoning of the date of submission of the subscription application shall be 12:00 noon. If the application is received on or before the said cut-off time, the shares shall be valued based on the NAV per share for the same banking day. For applications received after the cut-off time, it shall be deemed to have been received the next

banking day, and the NAV per share for the next banking day will be used as basis for payments. In both instances, a sales load fee shall be charged based on the total price of the application.

NAV per share shall be the computed difference between total assets of the Fund and its total liabilities divided by the number of shares outstanding.

3. Sales Load

The sales load fee shall be a maximum of five percent (5.0%) of the value of investment made.

4. Minimum Investment

Minimum initial investment of Five Thousand Pesos (₱5,000.00) and a minimum of One Thousand Pesos (₱1,000.00) worth of shares for additional investments. Payment shall be on cash basis only. No installment payment is allowed.

5. Income Distribution Policy

All investment income generated by the Fund will be distributed indirectly to all the shareholders through the daily adjustment of the Fund's Net Asset Value Per Share. Subject to compliance with the requirements of applicable laws and regulations, and the absence of circumstances which may restrict the payment of dividends, only surplus profits in excess of one hundred (100%) percent of the Corporation's paid-in capital stock shall be declared as cash dividends. The existence of surplus profits available for distribution as cash dividends shall be reviewed in the month of April of every year, or when the annual audited financial statements become available, whichever is later. The declaration and payment of such cash dividends shall be made by the Company on the following month thereof. The amount of cash dividends declared and paid shall automatically be reinvested in new shares of stock of the Fund, for which no sales load fees will be charged. Any redemption of such reinvested shares shall be subject to redemption charges as stated under the heading Redemption of Shares.

6. Subscription and Redemption Procedure

A. Subscription

1. Opening an Account

An Account Opening Form (AOF), Investor Risk Profiling Questionnaire (IRPQ), Investment Application Form (IAF) and Specimen Signature Card must be accomplished by the prospective investor and must be submitted together with 1 Valid ID and appropriate payment to Philequity Dividend Yield Fund, Inc. Once submitted, the Investment Application may not be cancelled in full or in part. An investment application, once accepted, shall constitute an agreement between the Investor and the Investment Manager/Principal Distributor for the purchase of the shares of the Fund at the time, in the manner, and subject to the conditions set forth in this Prospectus and the Account Opening Form. Upon acceptance of the application, the Investor shall be furnished a copy of the approved Investment Application Form, and an official receipt will be issued to the investor if payment is made in cash. In the case of payments made by personal or corporate check and an official receipt shall be issued only when the check clears.

Requirements for Corporate Applicants

For Investors other than individuals, the following documents, in addition to the Account Opening Form (AOF), Investor Risk Profiling Questionnaire (IRPQ),

Investment Application Form (IAF) and Specimen Signature Card, must be submitted and shall be considered integral parts thereof:

- a. Certified True Copy of the Investor's SEC Certificate of Registration, Articles of Incorporation and By-Laws;
- b. Notarized corporate secretary's certificate setting forth the resolutions of the Investor's Board of Directors or equivalent body:
 - i. authorizing the purchase of the shares of the Fund;
 - ii. designating the signatories for the purpose; and
 - iii. certifying the percentage of capital stock held by non-Filipinos
- c. Certified True Copy of the Latest General Information Sheet

2. Acceptance of Investment Applications

Applications for the number of shares and the applicable NAV are subject to acceptance and approval by the Principal Distributor. Upon acceptance of the Application, the Principal Distributor shall provide the Investor with a copy of the approved Investment Application Form and the confirmation of the acceptance.

The Principal Distributor reserves the right to reject, scale-down and reallocate any application for the shares for whatever reason. Applications for which check payments are dishonored upon first presentation, as well as those which do not comply with the requirements set in this Prospectus and the Investment Application Form, shall be rejected. The Principal Distributor shall inform the Investor of such reduction or rejection within seven (7) days after submission of the Investment Application.

3. Payment Terms

Subscriptions shall be paid in full upon submission of a duly accomplished and executed Investment Application Form. Securities sold shall be on cash basis only. Sales subject to installment payments are prohibited. Payments must be made in the form of: (a) Cash; (b) Personal or corporate check or (c) Cashier's or Manager's check, drawn against a bank account with a BSP authorized agent bank located in Metro Manila. All such checks must be made payable to "Philequity Dividend Yield Fund, Inc. FAO plus name of investor" dated as of the date of the Investment Application, and remitted directly to the Principal Distributor at its principal office. A confirmation notice will be issued to the Investors in case of payments made in cash and cashier's or manager's check. In the case of payments made by personal or corporate check and an official receipt shall be issued only when the check clears.

4. Refunds

Refunds of payments for any rejected or scaled-down applications shall be made without interest by the Principal Distributor not later than seven (7) days after submission. The respective Investor shall receive a check, crossed "Payee's Account Only," mailed and delivered at the Investor's risk to the address specified in the Account Opening Form or to the corresponding distributor or any authorized investment salesmen of the Investor.

5. Delivery of Stock Certificates

Stock certificates are issued to investors in scripless format. In the interest of economy and convenience, certificates for shares purchased will only be issued if so requested in writing by the shareholders. Shares are recorded on a stock register by the Corporation's duly appointed Transfer Agent and shareholders who do not elect

to receive stock certificates have the same rights of ownership as if certificates had been issued to them.

Upon the request of the Investor, stock certificates representing ownership of the shares of the Fund and Custodian Receipts shall be issued by the Transfer Agent and Custodian Bank, respectively, and shall be made available to the Investor as soon as practicable at the office(s) of the Transfer Agent and Custodian Bank. Any certificate that remains unclaimed for a period of thirty (30) days shall be mailed to the address specified in the Investment Application Form at the risk of the Investor.

The cost of issuance of the stock certificates shall be borne by the shareholder.

6. Periodic Fund Statement

The Investor shall receive a periodic Fund Statement indicating the status of the investment in the Fund.

B. Redemption

1. NAV Per Share Computation

The NAV per share shall be the computed difference between the total assets of the Fund and its total liabilities divided by the number of shares outstanding. The NAV shall be posted in the conspicuous place of the principal office of the Fund as well as in all its branches and designated redemption centers. It shall also be published in at least two (2) newspapers of general circulation in the Philippines on a daily basis.

2. Manner and Method of Redemption

Upon the presentation to the Principal Distributor of the securities for redemption, the holder of the shares of the Fund is entitled to receive by way of redemption approximately his proportionate share of the Fund's current net assets or the cash equivalent thereof, i.e. the net current asset value per share, subject to existing laws and the By-Laws of the Fund. Any request for redemption should always be accompanied by duly endorsed stock certificates and custodian receipt/s, if they have been issued. The redemption proceeds shall be paid within seven (7) banking days from receipt of the duly accomplished redemption application.

3. Redemption Price

The redemption price of the securities surrendered within the daily cut-off time shall be the next computed NAV per share after the request for redemption is received. Securities surrendered after the daily cut-off time shall be deemed to have been received on the next banking day. The daily cut-off time shall be 12:00 o'clock noon.

4. Minimum Holding Period and Redemption Charges

The following fees shall be deducted from the redemption proceeds depending on the retention period of the investor:

RETENTION PERIOD	REDEMPTION FEE
90 days	Maximum of 2.00%
91 days or more	Nil

5. Special Considerations

No redemption will be allowed should any of the following circumstances exist:

- a. The Philippine Stock Exchange is closed for reasons other than the customary weekend or holiday closings;
- b. Trading at the Philippine Stock Exchange is suspended or restricted;
- c. There exists an emergency as a result of which disposal by the Fund of securities owned by it is not reasonably practicable, or the computation or determination of the net asset value is not practicable;
- d. The Commission, by order permits suspension of the right of redemption for the protection of the Fund's stockholders; or
- e. Such other circumstance as the applicable Philippine laws or regulations may allow.

6. Applicable Taxes

Under the NIRC, gains realized by the Investor upon redemption of shares of stock in a mutual fund company are excluded from the computation of a taxpayer's gross income and are thus exempt from taxation. However, the amount of cash and/or property dividends received by an individual from a mutual fund company shall be subject to a final tax at the rate of 10% for Filipino citizens and resident aliens while 20% for non-resident aliens engaged in trade or business within the Philippines and 25% for non-resident aliens not engaged in trade or business within the Philippines. However, non-resident aliens shall be subject to the existing tax treaty, if any, entered into by the Philippines and by the country where they are residents. On the other hand, cash and/or property dividends received by corporations are not subject to tax, with the exception of dividends received by non-resident foreign corporations which, in general, shall be taxed at the rate of 15% of the amount of dividends received pursuant to the tax-sparing credit provision of the Tax Code, or to the existing tax treaty, if any.

COMPUTATION OF NET ASSET VALUE

The net asset value of each share of the capital stock of the Fund, as of the close of business of any day, shall be the quotient obtained by dividing the value, as of such closing date, of the assets of the Fund less the liabilities (exclusive of capital stock and surplus) by the total number of shares of capital stock outstanding at such close, all determined and computed as follows:

1. The assets of the Fund shall be deemed to include (i) all cash on hand, deposit in a bank, (ii) all bills and notes and accounts receivable, (iii) all shares of stock and subscription rights and other securities owned or contracted for by 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 value is being determined, (v) all interests accrued on any interest bearing securities owned by the Fund, (vi) all other property of every kind and nature including prepaid expenses.

In determining the value of the assets of the Fund for the purpose of obtaining the net asset value for acquisition, purchase, repurchase or redemption by the Fund of shares of its capital stock from its stockholders, each security listed in the Philippine Stock Exchange shall be valued on the basis of the average closing price thereon on the business day on which such net asset value for sale and redemption purposes is to be calculated. If there be no transaction on particular issue listed, then the value to be used is that of the previous day or the last day that a transaction was closed. As used herein "business day" shall mean a day on which the Philippine Stock Exchange is open for trading in securities and each business day will be at the hour and minute when such Exchange closes for the trading of securities for the day.

All other assets of the Fund, including real estate, prepaid and accrued expenses and dividends receivable shall be valued by such standard and acceptable accounting methods as the Board of Directors and its auditor shall deem to reflect their fair market value.

2. 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 (including management fees), (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 stockholders of record on or before the day as of which the value of the Fund's stock is 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.

The NAV per share shall consistently be computed in accordance with the foregoing formula. Any change of the computation or valuation shall be subject to the approval of the Commission.

The NAV shall be posted in the conspicuous place of the principal office of the Fund as well as in all its branches and designated redemption centers. It shall also be published in at least two (2) newspapers of general circulation in the Philippines on a daily basis.

BENEFITS TO THE INVESTOR

1. Professional Management and Supervision

Investing in the Fund affords numerous small investors services which would normally be accessible only to institutional investors and individuals with substantial resources. The Investor is given an opportunity to become part of a professionally managed portfolio of securities.

2. Diversification

The Fund enables an investor to diversify his investible funds among various PSE-listed companies that are not included in the Philippine Composite Index by investing in the Fund. Diversification reduces the risks associated with investing in individual securities.

3. Liquidity

A shareholder of the Fund may at any time, convert his proportionate share of the Fund's current net assets into its cash equivalent (i.e. the NAV per share less redemption charges, if any). There is no need for the shareholder to find a buyer as the Fund is always ready to redeem or buy back its shares, provided that the shareholder submits all pertinent requirements as set forth in the section Redemption of Shares.

USE OF PROCEEDS

The total proceeds from the sale of the securities shall be invested primarily in the equity of companies listed on the PSE that pay out dividends.

All cash proceeds, including the original subscription payments at the time of incorporation constituting the paid in capital of the investment company shall be deposited with the Fund's deposit account with BDO Unibank, which is the settlement account for payments relating to trades and transfers of securities.

The Fund shall be guided by the investment policies and restrictions on its investments under the topics Investment Objective and Investment Policies and Investment Restrictions.

The Company shall not engage in lending operations and shall not make loans to other interested persons such as the members of the Board of Directors, officers of the Company and any affiliates or affiliated corporations to the Fund.

No material amount of other funds shall be necessary to accomplish the specified purpose for which the offering is made.

The fund likewise has no intention to use any material amount of the proceeds for the acquisition of assets or to finance the acquisition of other businesses.

Any amount of the proceeds shall not be used as well to reimburse any officer, director, employee or shareholder of the Fund for any services rendered, assets previously transferred, and money loaned or advance or otherwise.

DETERMINATION OF OFFERING PRICE

The price at which the securities are to be sold is at the Net Asset Value per share ("NAVPS") on the day of the purchase. A sales load fee shall also be charged on the day of the purchase. The daily cut-off time for the reckoning of the date of submission of the subscription application shall be 12:00 noon. If the application is received on or before the said cut-off time, the shares shall be valued based on the NAVPS for the same banking day. For applications received after the cut-off time, it shall be deemed to have been received the next banking day, and the NAVPS for the next banking day will be used as basis for payments. In both instances, a sales load fee shall be charged based on the total price of the application.

NAVPS shall be the computed difference between total assets of the Fund and its total liabilities divided by the number of shares outstanding. The sales load fees for the amount of investment in an Investment Application shall be a maximum of five percent (5%).

SELLING SECURITY HOLDERS

There are no securities to be registered which will be offered for the account of security holders.

PLAN OF DISTRIBUTION

The sale of the Offer Shares will not be underwritten. There are no shares designated to be sold to specified persons and none of the shares are to be allocated to an Exchange and/or to its members. No securities are to be offered pursuant to a dividend or interest reinvestment plan the terms of which provide for the purchase of some securities on the market. Nor are there any securities being registered or to be offered other than for cash.

The Fund has appointed Philequity Management, Inc. ("PEMI") as Principal Distributor of capital stock of the Fund and agreed that it will not sell any shares of its capital stock except to or through PEMI. The Fund also authorized PEMI to set up a marketing network and accredited sub dealers or agents who are directly liable to PEMI. As such, PEMI will sell the Fund's shares through its Registered Certified Investment Solicitors and dealers with whom it has entered into distribution agreements.

PEMI is licensed by the Commission as an Investment Company Adviser with Certificate of Registration No. 01-2004-00156 issued on 30 March 2004 and License Number ICA-00007. The said certification is being renewed annually.

PEMI shall be paid a monthly management fee equivalent to a maximum of (3.0%) per annum of the average net asset value of the Fund's assets computed on a daily basis as its management fee. A sales load not exceeding five percent (5%) shall also be charged.

DESCRIPTION OF SECURITIES TO BE REGISTERED

The Fund has an authorized capital stock of Ten Billion Pesos (₱10,000,000,000.00) composed of Ten Billion (10,000,000,000) common shares with par value of One Peso (₱1.00) per share.

The SEC has permitted the Fund to have a paid-in capital lower than Fifty Million Pesos (₱50,000,000.00) as the Fund is one of a group of investment companies in existence under management by one investment company manager, Philequity Management, Inc. These investment companies are: Philequity Fund, Inc., Philequity Dividend Yield Fund, Inc., Philequity Dollar Income Fund, Inc., Philequity Peso Bond Fund, Inc., and Philequity Strategic Growth Fund, Inc.

The Fund registered its entire authorized capital stock with the Securities and Exchange Commission under SEC Form 8-1 Registration Statement under the Securities Regulation Code.

Unless applicable Philippine laws and regulations shall allow otherwise, the original promoters of the investment company who have subscribed and paid for the original capital of the Fund, shall not be allowed to sell, transfer, convey, encumber or otherwise dispose of their shares/securities within twelve (12) months from the registration of the Fund.

Each share of stock of the Fund shall have full voting rights equal to every other outstanding share of stock in accordance with the Corporation Code of the Philippines, and subject to the following:

1. Right of Redemption

Upon the presentation to PEMI or any of the Fund's duly authorized representatives of the Custodian Receipt(s) and the stock certificate(s) for redemption, the holder of a share of stock is entitled to receive by way of redemption approximately his proportionate share of the Fund's current net assets in cash, i.e. the net current asset value per share, subject to existing laws and the By-Laws of the Fund.

2. Denial of Pre-emptive rights

The Articles of Incorporation of the Fund provide that no stockholder shall, because of his ownership of stock, have a pre-emptive or other right to purchase, subscribe for, or take any part of any stock or of any other securities convertible into or carrying options or warrants to purchase stock of the Fund. The Fund's Articles of Incorporation further provide that any part of such stock or other securities may be disposed of by the Fund pursuant to the resolution of its Board of Directors, to such persons and upon such terms as the Board may deem proper, without first offering such stock or securities or any part thereof to existing stockholders.

3. Distribution of Dividends

Subject to compliance with the requirements of applicable laws and regulations, and the absence of circumstances which may restrict the payment of dividends, only surplus profits in excess of one hundred (100%) percent of the Corporation's paid-in capital stock shall be declared as cash dividends. The existence of surplus profits available for distribution as cash dividends shall be reviewed in the month of April of every year, or when the annual audited financial statements become available, whichever is later. The declaration and payment of such cash dividends shall be made by the Company on the following month thereof. The amount of cash dividends declared and paid shall automatically be reinvested in new shares of stock of the Fund, for which no sales load fees will be charged. Any redemption of such reinvested shares shall be subject to redemption charges as stated under the heading Redemption of Shares.

4. Restriction on Transfers

No transfer of stock of the Fund which would reduce the stock ownership or equity interest of Filipino citizens to less than the percentage required by applicable laws or regulations shall be caused or allowed to be recorded in the books of the Fund.

INTERESTS OF NAMED EXPERTS AND INDEPENDENT COUNSEL

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

INFORMATION WITH RESPECT TO THE REGISTRANT

DESCRIPTION OF BUSINESS

The Fund

Philequity Dividend Yield Fund, Inc. is a domestic corporate duly authorized to operate as an open-ended investment company with an investment objective of investing in PSE-listed companies which distribute dividends. The Fund was incorporated on August 2, 2012 with an authorized capitalization of Five Hundred Million Pesos (₱500,000,000) consisting of 500,000,000 common shares at a par value of ₱1.00 per share. On August 11, 2014, the Securities and Exchange Commission approved the increase of authorized capital stock to One Billion Five Hundred Million Pesos (₱ 1,500,000,000) consisting of 1,500,000,000 common shares at par value of ₱ 1.00 per share. On October 31, 2014, the Fund applied for the increase in its authorized capital stock to Ten Billion Pesos (₱ 10,000,000,000) consisting of 10,000,000,000 common shares at par value of ₱ 1.00 per share, which was approved by the Commission on November 17, 2014. The Fund aims to generate returns for its shareholders through the proper management of the Fund's assets as it invest in selected securities that the Fund Manager believes will generate consistent and long-term return.

The Fund has entered into a Management and Distribution Agreement with Philequity Management, Inc. authorizing PEMI to purchase and sell securities for the account of the Fund. The Fund does not have employees of its own since the management and administration functions are already being handled by PEMI. The Fund will not incur any income but instead PEMI will charge a management fee of not more than 3.0% for performing its function.

Competition

As of June 30, 2015 there are fifty (56) mutual funds being offered to the public. The Fund is categorized as a stock fund and will directly compete with the twelve (12) stock funds in the industry. The mutual fund industry has been increasing its net asset from ₱ 230.5 billion by the end of 2014 to ₱239 billion by end of June 2015. That's 3.7% increase in net assets in a matter of 6 months. We think that the market should also continue to move higher albeit corrections along the way since our country has achieved investment grade status. Mutual funds mainly compete on performance followed by fees charged by the funds. If the performance of a fund is superior to its peers it will most certainly see increases in its subscription. Fees like sales load, management fee and exit fees are also factors that affect the decision making process of potential investors.

The Fund considers Philam Strategic Growth Fund, First Metro Save and Learn Fund and Sun Life Prosperity Philippine Equity Fund as its major competitors. However, the Fund believes that it has its competitive advantages which will allow it to compete with its competitors. Some of its competitive advantages are its focus on investing in PSE-listed companies that pay dividends. Normally, companies that pay dividends are conservatively managed and have sufficient cash flow from its business operations to pay out dividends. In other words, dividend-paying companies are viewed as defensive companies and thus are somewhat immune to market volatilities. Since no mutual fund company has offered this type of strategy the Fund thinks that it has a competitive advantage and unique product to offer to the investing public.

Transactions with and/or dependence on related parties

The Fund does not foresee to have any transactions with and dependence on related parties.

Patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements held

The Fund does not hold any patents, trademarks, copyrights, licenses, franchises, concessions or royalty agreements. So the Fund's operation will not be affected by the foregoing.

Compliance with the Investment Company Act

As an investment company registered with the SEC, the Fund must comply with the requirements of the Corporation Code of the Philippines as well as the minimum subscribed and paid-up capital of ₱50.0 million as required under Section 12 Structure and Capitalization of Investment Companies of the ICA.

The Investment Company Act requires that any securities proposed to be issued and distributed or sold by the investment company must likewise be registered with the SEC.

Effect of existing governmental regulations

Government regulations have both positive and negative effects on the interest of mutual fund investors. The positive effect is the sense of security that the investors feel that investment companies are regulated by the Securities and Exchange Commission. Ultimately, it gives our capital market a sense of integrity which boosts investors' confidence in the Philippine equity market.

The negative effect of government regulation can be seen with the lowering of the threshold amount of covered transactions under the Anti-Money Laundering Act of 2001 (Republic Act No. 9160) from ₱4,000,000.00 to ₱500,000.00, making the investing public wary of attempting to invest an amount that would place their investment in such a position that would entail a report to the AMLA Council. Moreover, investors would consider the reportorial provision of the Anti-Money Laundering Act as an invasion of their secrecy of deposit, more so if the source of such investment is legitimate. Hence, with the AMLA as a discouraging factor, the Fund expects limited capital investment by shareholders.

PROPERTIES

Operations will be conducted within the premises of the fund manager. All facilities are either owned or provided by the fund manager. The Fund has neither properties under its fixed assets accounts nor hires employees for its operation.

LEGAL PROCEEDINGS

The Fund is not involved in any litigation or disputes. As of date, the Fund does not foresee any legal dispute to be instituted either by any government agency or entity or by third persons.

The Fund is not involved in, nor is any of its properties subject to, any material legal proceedings that could potentially affect their operations and financial capabilities.

MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDERS' MATTER

Market Information

There is no established public trading facility or market for the shares of stock of the Fund. The Fund's shares shall be sold through its appointed Principal Distributor.

Stated below are the Net Asset Value per Share at the end of each quarter since 2012:

	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr
2012			0.3919	0.3896
2013	0.3896	0.3828	0.3832	0.3837
2014	1.0324	1.1402	1.2498	1.2568
2015	1.3463	1.2766	-	-

Dividends

Subject to compliance with the requirements of applicable laws and regulations, and the absence of circumstances which may restrict the payment of dividends, only surplus profits in excess of one hundred (100%) percent of the Corporation's paid-in capital stock shall be declared as cash dividends. The existence of surplus profits available for distribution as cash dividends shall be reviewed in the month of April of every year, or when the annual audited financial statements become available, whichever is later. The declaration and payment of such cash dividends shall be made by the Company on the following month thereof. The amount of cash dividends declared and paid shall automatically be reinvested in new shares of stock of the Fund, for which no sales load fees will be charged. Any redemption of such reinvested shares shall be subject to redemption charges as stated under the heading Redemption of Shares.

Recent Sales of Unregistered Securities

There has been no recent sale of unregistered securities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the financial statements of the Company and notes thereto included elsewhere in this Prospectus. The Company cautions prospective investors that its business and financial performance are subject to substantive risks and uncertainties.

Plan of Operation

The Fund was incorporated to carry out the general business of an open-end mutual fund.

The principal sources of income shall be the returns on its investments as stated in the Investment Objective and Policies as well as, proceeds from the sale of its shares to the public.

The Fund will not undertake any product research and/or development during its operations. It does not foresee any significant changes in the number of employees in the next twelve (12) months.

Management's Discussion and Analysis

A. Financial Condition and Liquidity

The table below would present the movement of Fund's assets, liabilities and equity.

Financial Position	Unaudited June 30, 2015	Audited December 31, 2014	Inc/(Dec)	Percent
Total Assets	4,152,388,546	3,181,849,390	970,539,156	30.50%
Total Liabilities	36,585,428	67,360,980	(30,775,552)	-45.69%
Total Equity	4,115,803,118	3,114,488,410	1,001,314,708	32.15%

Total assets went up by 30.50% brought by purchases of investments in equity securities and increase in dividends receivable from the said securities. Decline of 45.69% in total liabilities is chiefly due to lesser payable to brokers for purchases of securities paid the following month.

United Fund, Inc.	717.07	1%	685.83	1%
Total	95,523.07	100%	88,642.02	100%

4. Performance vis-à-vis Competition

The Fund's performance will most likely be compared to funds categorized as stock funds based on the Philippine Investment Fund Association's classification.

As of June 30, 2015, below are the performance of the various equity funds.

Fund Name	Return (%)
ALFM Growth Fund, Inc.	3.13%
ATRKE Alpha Opportunity Fund, Inc.	-16.88%
ATRKE Equity Opportunity Fund, Inc.	-7.14%
First Metro Save and Learn Equity Fund, Inc.	1.27%
Philam Strategic Growth Fund, Inc.	2.21%
Philequity Dividend Yield Fund, Inc.	1.58%
Philequity Fund, Inc.	-0.60%
Philequity PSE Index Fund, Inc.	3.89%
Philippine Stock Index Fund Corp.	4.9%
Soldivo Strategic Growth Fund, Inc.	%
Sun Life Prosperity Philippine Equity Fund, Inc.	1.97%
United Fund, Inc.	5.25%
ATRKE AsiaPlus Recovery Fund, Inc.	2.60%

5. NAV Growth vis-à-vis Industry Growth

The Fund's performance is measured by the movements in its NAV. The Fund aims to measure its NAV movement over a series of time periods to assess its performance against the industry which in this case is the stock funds.

	June 30, 2015	December 31, 2014
ALFM Growth Fund, Inc.	269.42	261.27
ATRKE Alpha Opportunity Fund, Inc.	1.3826	1.6636
ATRKE Equity Opportunity Fund, Inc.	4.0917	4.4069
First Metro Save and Learn Equity Fund, Inc.	5.6431	5.5739
Philam Strategic Growth Fund, Inc.	552.54	540.62
Philequity Dividend Yield Fund, Inc.	1.2766	1.2568
Philequity Fund, Inc.	36.9656	37.1886
Philequity PSE Index Fund, Inc.	5.0025	4.8158
Philippine Stock Index Fund Corp.	845.83	806.39
Soldivo Strategic Growth Fund, Inc.	0.9521	0.9505
Sun Life Prosperity Philippine Equity Fund, Inc.	4.1682	4.0885
United Fund, Inc.	3.4225	3.2521
ATRKE AsiaPlus Recovery Fund, Inc.	1.0124	0.9787

G. Liquidity and other concerns

The Fund does not expect any liquidity or cash flow problems given the Fund's Investment Restrictions outlined in this Registration Statement. As a defensive strategy the Fund may, at its discretion elect to invest up to 100% of the Fund's assets in cash and/or other liquid assets, subject to any existing liquidity requirements as may be required by law.

In addition, the Fund does not have any off-balance sheet obligations, arrangements or transactions with other individuals or institutions.

Information on Independent Accountant and Other Related Matters

A. External Audit Fees and Services

1. Audit and Audit Related Fees

The total audit fee for 2014 is P70,000. These fees pertain to the audit of the financial statements of the Fund in relation to statutory and regulatory filings.

There are no other assurance and related services rendered by the external auditor that are reasonably related to the performance of the audit of the Fund's financial statements.

2. Tax Fees

There were no professional services rendered by the external auditor for tax accounting, compliance, advice, planning and any other form of tax services.

3. All Other Fees

There were no products and services provided by the external auditor, other than its external audit services.

B. Changes in and disagreements with Accountants on Accounting and Financial Disclosure

There are no changes in and disagreements with SGV & Co. on accounting and financial disclosures.

MANAGEMENT AND CERTAIN SECURITY HOLDERS

DIRECTORS AND EXECUTIVE OFFICERS

As of the date of filing of this Registration Statement, the names, citizenship and ages of all incumbent Directors and Executive Officers of the Company, are as follows:

Name	Citizenship	Age	Position	Term
Ignacio B. Gimenez	Filipino	70	Chairman and President	2006 to Present
Violeta O. Luym	Filipino	68	Director and Treasurer	2000 to Present
Bert C. Hontiveros	Filipino	62	Independent Director	2012 to Present
Gregorio U. Kilayko	Filipino	60	Independent Director	2013 to Present
Leo M. Garcia	Filipino	80	Director	2013 to Present
Aurora L. Shih	Filipino	74	Director	2013 to Present
Ramon Y. Sy	Filipino	84	Director	2013 to Present

Atty. A. Bayani K. Tan	Filipino	59	Corporate Secretary	2000 to Present
Atty. Adrian Francis S. Bustos	Filipino	27	Asst. Corporate Secretary	2013 to Present
Ma. Angelica D. Cabanit	Filipino	46	Compliance Officer	2013 to Present

Hereunder is a discussion on the business experiences of the incumbent members of the Board of Directors and Executive Officers:

Ignacio B. Gimenez

Mr. Gimenez is the Chairman and President of the Fund. He is also the Chairman and President of the following mutual fund: Philequity Fund, Inc., (1994 to present), Philequity PSE Index Fund, Inc., Philequity Dollar Income Fund, Inc., and Philequity Peso Bond Fund, Inc., (1999 to present), Philequity Balanced Fund, Inc., Philequity Foreign Currency Fixed Income, Philequity Resources Fund, Inc., and Philequity Strategic Growth Fund, Inc. (2008 to present). Concurrently, he is the Director of Vantage Equities Inc., eBusiness Services Inc., and Yehey! Corporation (2007 to present). At the same time, he also holds positions as Director of PIFA-Philippine Investment Funds Association, and as the Corporate Secretary of I.B. Gimenez Securities, Inc. He holds a graduate degree in Business Administration from the Asian Institute of Management (1970) and a college degree from the University of the Philippines (1967).

Violeta O. Luym

Ms. Luym is the Director and Treasurer of the Fund. She is also the Treasurer of the following mutual fund: Philequity Fund, Inc. (1994 to present), Philequity Dollar Income Fund, Inc., Philequity Peso Bond Fund, Inc., and Philequity PSE Index Fund, Inc. (1999 to present), Philequity Resources Fund, Inc., Philequity Strategic Growth Fund, Inc., Philequity Foreign Currency Fixed Income Fund, Inc., and Philequity Balanced Fund, Inc., (2008 to present). She holds a Master's Degree in Business Administration from the University of California Los Angeles (1968) and a Bachelor of Science Degree in Business Administration from the Assumption College (1967).

Bert Hontiveros

Mr. Hontiveros is an Independent Director of the fund. He is also the Independent Director of the following mutual funds from 2013 to present, namely: (a) Philequity Peso Bond Fund, Inc.(b) Philequity Dollar Income Fund, Inc. and (c) Philequity PSE Index Fund, Inc. Concurrently, he is the General Manager of HB Design Power Systems (2000 to present). He obtained his Bachelor of Science in Industrial Engineering from University of the Philippines in 1975.

Gregorio U. Kilayko

Mr. Kilayko is an Independent Director of the Fund. He is also an Independent Director of the following mutual funds namely: (a) Philequity Dollar Income Fund, Inc. (b) Philequity Peso Bond Fund, Inc. (1999 to present) and (c) Philequity PSE Index Fund, Inc (2013 to present). He also an Independent Director of the following corporation: SM Prime Holdings (2008 to present), Belle Corporation (2003 to present), and Highlands Prime Corporation (2002 to 2013). He holds a Bachelor of Science Degree in Industrial Management Engineering from De La Salle University (1978) and a Management of Business Administration from the Wharton School University of Pennsylvania (1981)

Leo M. Garcia

Mr. Garcia is the Director of the Fund. He is also a Director of the following mutual funds: (a) Philequity Foreign Currency Fixed Income Fund, Inc. (b) Philequity Resources Fund, Inc. (c) Philequity Balanced Fund, Inc. (d) Philequity Strategic Growth Fund, Inc. (2008 to present). He is also the President of LM Garcia Securities Corporation (1980 to 1997). Mr. Garcia holds a Bachelor of Science in Business Administration degree from University of the Philippines (1958).

Aurora L. Shih

Ms. Shih is the Director of the Fund. She is also a Director of the following mutual funds: (a) Philquity Fund, Inc. (1994 to present) (b) Philequity Peso Bond Fund, Inc. and (c) Philequity Dollar Income Fund, Inc. (1999 to present). She is also the Vice President of Luys Securities Company,

Inc. Ms. Shih graduated from University of the East with a degree of Bachelor of Business Adminstration (1963).

Ramon Y. Sy

Mr. Sy is the Director the Fund. He is also a Director of the following mutual funds: (a) Philequity Fund, Inc. (b) Philequity Dollar Income Fund, Inc. (c) Philequity PSE Index Fund, Inc. and (d) Philequity Peso Bond Fund, Inc. (2006 to present), (e) Philequity Strategic Growth Fund, Inc., (f) Philequity Foreign Currency Fixed Income Fund, Inc., (g) Philequity Resources Fund, Inc., (g) Philequity Balanced Fund, Inc. (2008 to present). He is also the Chief Financial Officer of Apex Mining Co. Inc. (2014), the Vice Chairman and Director of Asia United Bank (2012 to present) and has served as the President and Chief Executive Officer of the United Coconut Planters Bank (2007-2011). He graduated with a Bachelor of Science in Commerce from Far Eastern University (1952).

A. Bayani K. Tan

Mr. Tan has been the Corporate Secretary of the Corporation since February 1999. He is currently a Director, Corporate Secretary or both of the following reporting and/or listed companies: Asia United Bank Corporation* (February 2014-present as Corporate Secretary; June 2014 as Director), Belle Corporation (May 1994-present), Coal Asia Holdings, Inc. (July 2012-present), Destiny Financial Plans, Inc. (2003-present), Discovery World Corporation (March 2013 as Director, July 2003-present as Corporate Secretary), First Abacus Financial Holdings Corp. (May 1994 – present), I- Remit, Inc. (May 2007-present), Pacific Online Systems Corporation (May 2007-present), Philequity Balanced Fund, Inc. (March 2010-present), Philequity Dollar Income Fund, Inc. (March 1999-present), Philequity Foreign Currency Fixed Income Fund, Inc. (March 2010-present), Philequity Fund, Inc. (1997-present), Philequity Peso Bond Fund, Inc. (June 2000-present), Philequity PSE Index Fund, Inc. (1997-present), Philequity Resources Fund, Inc. (March 2010-present), Philequity Strategic Growth Fund, Inc. (April 2008-present), Sinophil Corporation (December 1993-present), TKC Steel Corporation (February 2007-present), Tagaytay Highlands International Golf Club, Inc. (November 1993-present), Tagaytay Midlands Golf Club, Inc. (June 1997-present), The Country Club at Tagaytay Highlands, Inc. (August 1995-present), The Spa and Lodge at Tagaytay Highlands, Inc. (December 1999-present), Vantage Equities, Inc. (January 1993-present) and Yehey! Corporation (June 2004-present). Mr. Tan is also a Director** and the Corporate Secretary of Sterling Bank of Asia Inc. since December 2006. Mr. Tan is the Managing Partner of the law offices of Tan Venturanza Valdez (1988 to present), Managing Director/President of Shamrock Development Corporation (May 1988-present), Director of Destiny LendFund, Inc. (December 2005-present) and Pascual Laboratories, Inc. (March 2014-present), President of Catarman Chamber Elementary School Foundation, Inc. (August 2012-present), Managing Trustee of SCTan Foundation, Inc. (1986-present), Trustee and Treasurer of Rebisco Foundation, Inc. (April 2013-present) and Trustee and Corporate Secretary of St. Scholastica's Hospital, Inc. (February 2011-present). He is currently the legal counsel of Xavier School, Inc.

Mr. Tan holds a Master of Laws degree from New York University USA (Class of 1988) and earned his Bachelor of Laws degree from the University of the Philippines (Class of 1980) where he was a member of the Order of the Purple Feather (U.P. College of Law Honor Society) and ranked ninth in his class. Mr. Tan passed the bar examinations in 1981 where he placed sixth. He has a Bachelor of Arts major in Political Science degree from the San Beda College (Class of 1976) from where he graduated Class Valedictorian and was awarded the medal for Academic Excellence.

*Subject to BSP approval

** Subject to SEC approval of the amendments of Section 6 of the Bank's Articles of incorporation increasing the number of directors from eleven (11) to fifteen (15)

Adrian Francis S. Bustos

Mr. Bustos is the Assistant .nc. He obtained his Bachelor of Science degree in Business Administration and Bachelor of Laws degree from the University of the Philippines in 2008 and 2012, respectively. He is currently an associate of Tan Venturanza Valdez (2013 to date). He was formerly connected with Vicsal Investment, Inc. (2013) as a financial analyst and he is a Chartered Financial Analyst (CFA) level 1 passer. He was admitted to the Philippine bar in April 2013.

Ma. Angelica D. Cabanit

Ms. Cabanit is the Compliance Officer of the Company (2010 to present). Presently, she manages the Treasury Operations of Vantage Equities, Inc. as well as the settlement and transaction control of E-Business Services, Inc (2010 to present). Ms. Cabanit is a graduate of Bachelor of Science in Commerce major in Accounting from St. Scholastica's College (1989).

INCORPORATORS

The following are the incorporators of the fund:

1. Edmundo Marco P. Bunyi
2. Ignacio B. Gimenez
3. Roberto Z. Lorayes
4. Joseph L. Ong
5. Valentino L. Sy
6. Wilson L. Sy

SIGNIFICANT EMPLOYEES

The Fund has no significant employees, or persons other than the above-named directors and officers who are expected to make a significant contribution to the business of the Fund.

FAMILY RELATIONSHIPS

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

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

Except as provided in the succeeding paragraph, to the best of the Company's knowledge, there has been no occurrence since the time of its incorporation up to the date of this Prospectus of any of the following events that are material to an evaluation of the ability or integrity of any director, any nominee for election as director or executive officer of the Company:

1. any bankruptcy petition filed by or against any business of which the incumbent directors or executive officer of the Company was a general partner or executive officer, either at the time of the bankruptcy or within two years prior to that time;
2. any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, against any of the incumbent directors or executive officer of the Company;
3. any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the incumbent directors or executive officer of the Company in any type of business, securities, commodities or banking activities;
4. any finding by domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, that any of the incumbent directors or executive officer of the Company has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

As a result of the delay in the delivery of the facilities of the Universal Leisure Club, Inc., some of its members initiated a Complaint for Estafa (I.S. No. 08K-89713) against ULC, the Universal Rightfield Property Holdings, Inc. and the Universal Leisure Corp., as well as their respective officers and

directors, including their former Corporate Secretary, Atty. A. Bayani K. Tan, an incumbent Director and the Corporate Secretary of the Corporation. The Complaint was submitted for resolution in 2009 and was acted upon and dismissed by the City Prosecutor of Manila (OCP) only on March 18, 2013. Complainants belatedly filed motion for reconsideration for which reason, among others, the OCP denied motion on June 16, 2014. A Petition for Review dated March 31, 2014 was filed by the Complainant before the Department of Justice (DOJ). On August 7, 2014, Atty. Tan filed his Comment to the said Petition.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

The directors and executive officers of the Fund have not received any form of compensation from incorporation up to present. Their contributed efforts to the Fund are on voluntary basis only. Also, there is no per diem, bonus, profit sharing or other compensation plan, pension or retirement plan, contract or arrangement in which any director or executive officer of the Fund will participate.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owner

As of July 31, 2015, the following table shows the record and beneficial owner owning more than 5% of the outstanding capital stock of the Fund:

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Customer No. PE00002890	Please see footnote	Filipino	1,148,063,838	35.12%

*Customer No.PE00002890. is a duly organized corporation existing under the laws of the Philippines. The primary purpose of this corporation is to make strategic investments in companies within the financial service industry.

**Refers to subscription of 538,749,392 shares out of the Corporation's increase in authorized capital stock from 1,500,000,000 shares to 10,000,000,000 shares.

Security Ownership of Management

As of July 31, 2015, the following is a tabular presentation of the shares recorded under the name of the directors and executive officers of the Company:

Title of class	Name of beneficial Owner	Amount and nature of beneficial ownership		Citizenship	Percent
Common	Ignacio B. Gimenez	1	Direct	Filipino	0.00%
Common	Violeta O. Luym	1	Direct	Filipino	0.00%
Common	Bert C. Hontiveros	1	Direct	Filipino	0.00%
Common	Gregorio U. Kilayko	1	Direct	Filipino	0.00%
Common	Leo M. Garcia	1	Direct	Filipino	0.00%
Common	Felipe Yap	1	Direct	Filipino	0.00%
Common	Ramon Y. Sy	1	Direct	Filipino	0.00%

Voting Trust Holders

There are no persons holding more than 5% of Common Shares under a voting trust or similar agreement.

Changes in Control

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

CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

The Fund has not been a party to any transaction or proposed transaction, in which any director or executive officer of the Fund or any security holder owning 5% or more of the securities of the Fund or any member of the immediate family of such persons, had a direct or indirect material interest except the Management and Distribution Agreement entered into by the Fund and Investment Manager. The Investment Manager started to charge management only in August 2014.

Related party transactions and balances with PEMI as of and for the year ended December 31, 2014 follows:

	2014
Management fee	14,740,402
Sale commission	7,046,186
Due to PEMI	4,817,766

PARTIES INVOLVED IN THE FUND

INVESTMENT MANAGER AND PRINCIPAL DISTRIBUTOR

Philequity Management, Inc. (PEMI) is the investment manager, advisor and principal distributor of the Fund. It is duly licensed with the SEC as an Investment Company Adviser with Certificate of Registration No. 01-2004-00156 issued on 30 March 2004 and License Number ICA-00007. PEMI has a solid track record in fund management, being the investment manager and principal distributor of Philequity Fund, Inc., Philequity Dividend Yield Fund, Inc., Philequity Dollar Income Fund, Inc., Philequity Peso Bond Fund, Inc., and Philequity Strategic Growth Fund, Inc.

The guidelines for management of the resources and operations of the Fund are set in the Management and Distribution Agreement between the parties.

PEMI Board of Directors and Officers

The following are the PEMI Board of Directors and Officers:

Roberto Z. Lorayes

Mr. Lorayes is the Chairman of the company. He is also the Director of Vantage Equities, Inc. and eBusiness Services, Inc. (1994 to present). In the past he served as Chairman of the Philippine Stock Exchange (1993 to 1994) and Investment Companies Association of the Philippines (2005-2008). He also served as President of Manila Stock Exchange (1991-1992), UBP Securities (1989-1993), Citicorp (1987-1989), CT Corp, Scringeur, Vickers (1987-1989), and a Director of Philippine Central Depository (1995-1996). He received his Bachelor of Science in Commerce degree and Bachelor of Liberal Arts degree in De La Salle University (1966). He holds a Masters degree in Business Management from Ateneo de Manila University (1969).

Edmundo Marco P. Bunyi, Jr.

Mr. Bunyi is currently the President of the Company. He is also the President and Chief Operating Officer of Vantage Equities, Inc. and President and Chief Executive Officer of eBusiness Services, Inc. At the same time, he is the Director of Yehey! Corporation (2006 to present). He is the former Senior Vice President and Treasurer of International Exchange Bank (1995 to 2004), Assistant Vice President and Head of FCDU & FX Sales of United Coconut Planters Bank, Assistant Manager for Corporate Banking Group of Far East Bank and Trust Company, and Assistant Manager for the Corporate Banking Department of Union Bank of the Philippines. He holds a degree in Management Engineering from the Ateneo de Manila University (1985).

Joseph L. Ong

Mr. Ong is the Treasurer of the Company. He is also the Treasurer of Yehey! Corporation and the Director of eBusiness Services, Inc (2005 to present). Currently, he is president of Chemcenter Corporation (1996 to present), a company engaged in import and distribution of industrial chemicals. Previously, he was connected with Exxon Chemical/Exxon Corp holding positions in sales, marketing, planning, and audit functions both here and abroad. He holds a degree in Chemical Engineering, Magna Cum Laude, from De La Salle University (1975).

Antonio R. Samson

Mr. Samson is the Independent Director of the Company. He is also the Independent Director of Vantage Equities, Inc. and Yehey! Corporation and the Director of eBusiness Services, Inc. Concurrently (2005 to present), he is the President of the Manila Chamber Orchestra Foundation and the Metropolitan Museumand the Chairman of the Advertising Foundation (2001 to present). He is also a columnist of Business World and Business Day Magazine. He holds a Bachelor's degree in Economics from the Ateneo de Manila University (1966) and Masters of Business Administration from Asian Institute of Management (1971).

Gregorio T. Yu

Mr. Yu is the Independent Director of the Company. He is also the Independent Director of Vantage Equities, Inc. and Yehey! Corporation (1994 to present). At the same time, he is the Director of the following companies: eBusiness Services, Inc., Philippine Airlines Inc., Philippine National Reinsurance Corporation, Irermit (2007 to present), Unistar Credit and Finance Corporation, Glyph Studios, Inc., Prople BPO Inc, Jupiter Systems Inc., Nexus Technologies, Inc. (2001 to present), Wordtext Systems Inc., Yehey Inc., CMB Partners Inc., Ballet Philippines, Manila Symphony Orchestra, Iripple Inc (2007 to present). Concurrently, he is also the chairman of the following companies: CATS Motors Inc., CATS Asian Cars Inc. and CATS Automobile Corp. Also (2000 to present), he is currently the Trustee of the Government Service Insurance System (2010 to present), as well as a Trustee of Xavier School, Inc. and Xavier School Educational and Trust Fund, Inc (1993 to present). He has been a Director and a Member of Executive Committee and Audit Committee of the International Exchange Bank (1995-2006). He graduated from De la Salle University with a Bachelor of Arts in Economics (Honors Program 1978), summa cum laude. Mr. Yu holds a graduate degree in Business Administration from Wharton School, University of Pennsylvania (1983) where he was in the Director's Honor List.

Willy N. Ocier

Mr. Ocier is a Director of the Company. He is also a Director of (a) Ebusiness Services, Inc. (b) Yehey! Corporation and (c) Vantage Equities, Inc. At the same time, he is also the Chairman and President of Pacific Online Systems Corporation (1999 to present) and serves as Vice Chairman of Belle Corporation and Co-Vice Chairman of Highlands Prime, Inc. (1999 to present). Concurrently, he is the Chairman of the Boards of the following corporations: (a) APC Group, Inc. (2005 to present) (b) Sinophil Corporation (2005 to present), (c) Premium Leisure and Amusement, Inc (1999 to present), (d) Tagaytay Midlands Golf Club, Inc. (1999 to present) and (e) Aragorn Power and Energy Corporation (1999 to present). He earned his Economics degree from the Ateneo de Manila University (1977).

Valentino C. Sy

Mr. Syis a Director of the Company. He is also the Chairman and Chief Executive Officer of Vantage Equities, Inc. and Chairman of eBusiness Services, Inc. and Yehey! Corporation (1996 to present). Concurrently, he is the Director of Wealth Securities (1998 to 2011) and the

President of Equinox International Corp (1996 to present) and Wealth Securities (2011 to present). He holds a degree in Industrial Management Engineering from the De La Salle University (1977).

Wilson L. Sy

Mr. Sy is a Director of the Company. He is the Vice Chairman of Asian Alliance Holdings, Corp. and Director of Vantage Equities, Inc.; eBusiness Services, Inc., Yehey! Corporation (1993 to present), Xcell Property Ventures, Inc. (2005 to present), and Monte Oro Resources & Energy, Inc. (2005 to present) Mr. Sy is also an Independent Director of the reporting corporations: The Country Club at Tagaytay Highlands, Inc. (2011 to present), Tagaytay Highlands International Golf Club, Inc. (2011 to present), Tagaytay Midlands Golf Club, Inc. (2011 to present), and The Spa and Lodge at Tagaytay Highlands (2011 to present). He was a former Chairman of the Philippine Stock Exchange, Inc. (1994 to 1995) He holds a degree in Management Engineering from the Ateneo de Manila University (1975).

Washington Z. SyCip

Mr. SyCip is a Director of the Company. He is the founder of the SGV Group (1953 to present). He is the Chairman of the Board of Trustees and Board of Governors of the Asian Institute of Management (1946 to present) and Honorary Chairman of the Euro-Asia Centre of INSEAD (1981 to 1988). He is the Chairman of the Asia Pacific Advisory Committee of the New York Stock Exchange and a member of the following organizations: Harvard University Asia Center Advisory Committee, Board of Oversees Columbia University Graduate School of Business, the International Advisory Board of Council on Foreign Relations in New York and the American International Group (1983 to present). He is a member of the Board of Directors of a number of major corporations in Asia. Mr. Sycip graduated with a Bachelor of Science in Commerce (Summa Cum Laude) (1939) and Master of Science in Commerce (Meritissimus) from University of Santo Tomas (1940). He also received a Master of Science in Commerce degree from Columbia University in New York.

Atty. Ria Carmela R. Cruz

Atty. Ria Carmela R. Cruz, 29, Filipino, is the Corporation's Corporate Secretary. She concurrently serves as Assistant Corporate Secretary of listed firms such as TKC Steel Corporation, Coal Asia Holdings Incorporated, Asia United Bank and private companies Winstone Industrial Manufacturing Corporation, Goodyear Steel Pipe Corporation and Campanilla Mineral Resources, Inc. Atty. Cruz is an associate at Tan Venturanza Valdez Law Offices. She holds a Juris Doctor degree and a Bachelor of Arts Degree in Public Administration, cum laude, both from the University of the Philippines. She was admitted to the Philippine Bar in 2011.

CUSTODIAN

Philippine Depository and Trust Corporation is the Fund's Custodian Bank. It is responsible for the safekeeping of the Fund's Assets.

TRANSFER AGENT

The transfer agent of the Fund is Banco de Oro Unibank, Inc. The primary responsibility of the transfer agent is the accurate record keeping of individual shareholdings and the issuance and cancellation of stock certificates/depository receipts.

LEGAL COUNSEL

Tan Venturanza Valdez serves as legal counsel of the Fund.

EXTERNAL AUDITOR

The external auditors of the Company is the accounting firm of SyCip, Gorres, Velayo & Company ("SGV & Co.").

MATERIAL CONTRACTS AND AGREEMENTS

Following is a summary of the material terms of the principal agreements related to the business of the Fund and should not be considered to be a full statement of the terms and provisions of such agreements. Accordingly, the following summary is qualified by reference to each agreement and is subject to the full text of each agreement.

MANAGEMENT AND DISTRIBUTION AGREEMENT

Under this Agreement, Philequity Management, Inc. (PEMI) was engaged by the Fund to act as the investment manager and principal distributor of the Fund.

The scope of services and facilities of PEMI includes the following:

1. Manage the resources and operations of the Fund
2. Invest and re-invest the assets of the Fund
3. Prepare and submit such information and data relating to economic conditions, industries, business, corporation or securities as may be required by the Fund's Board of Directors;
4. Coordinate all activities and extend all necessary assistance to the custodian, auditors and legal counsel of the Fund;
5. Prepare and submit reports, circulars, notices and other information required by the Fund;
6. Provide representation with government offices, instrumentalities and agencies;
7. Provide accounting, bookkeeping, clerical and other administrative services;
8. Provide office space and other administrative facilities;
9. Transact with stockbrokers for the account of the Fund;
10. Distribute and sell shares of the capital stock of the Fund on a best efforts basis at a public offering price equal to the sum of (i) the net asset value per share in effect at the time of the sale of each share; and (ii) the sales load fee payable to the investment manager/principal distributor; and

In purchasing and selling securities and making or disposing of investments for the account of the Fund, PEMI may act without need of prior approval or prior notification to the Fund, provided that it is within the limits of the investment policies and guidelines prescribed by the Board of Directors of the Fund and subject to the provisions of applicable Philippine laws and regulation and the registration statements of the Fund.

The securities, certificates and other evidences of title to assets within the investment portfolio of the Fund shall be under the custody of the designated Custodian. PEMI may, either directly or through the Custodian, take charge of the collection of interest, dividends or other payments on all securities owned by the Fund, and shall exercise any and all rights of the Fund pertaining to such securities.

PEMI is entitled to a management fee charged monthly equivalent to one and a half percent (1.5%) per annum of the average net asset value of the Fund's assets computed on a daily basis. In addition, the Fund shall pay PEMI the sales load charge for every sale of the Fund's shares.

The initial term of the Agreement is five (5) years. After which the agreement shall continue in effect from year to year, provided that such continuation shall be specifically approved by the Board of Directors of the Fund or by a vote of the majority of the outstanding shareholder of the Fund. The Agreement may be terminated at any time by the Board of Directors of the Fund, by vote of two thirds (2/3) of the outstanding capital stock of the Fund or upon written notice of not less than sixty (60) days.

CUSTODIAN AGREEMENT

Pursuant to the Terms and Conditions for Philippine Depository & Trust Corporation Depository Participants and participation agreement, the PDTC shall:

1. Hold the certificates representing the investments made by the Investment Manager on behalf of the Fund in accordance with the rules and regulations of the SEC; and
2. Follow such duties and responsibilities as set forth in the Custodian Bank Agreement.

BDO Unibank has been appointed by the Fund as its settlement bank for the payments relating to trades and transfers of securities. BDO Unibank shall receive, safekeep, record, and account for the cash proceeds of the sale of the shares of stock of the fund.

For services rendered, the Fund agrees to pay PDTC .10% per annum based on the market value of the equity securities of the total depository securities and other fees as stipulated in the Agreement and their Fee Schedule.

STOCK TRANSFER AND DIVIDEND PAYING AGENCY AGREEMENT

Under this Agreement, BDO Unibank, Inc. – Trust and Investments Group was engaged by the Fund to act as the stock transfer and dividend paying agent of the Fund.

The scope of services and facilities of the transfer agent includes the following:

1. Register all the certificates of stock representing the capital stock of the Fund
2. Prepare and issue stock certificates, as well as cancel certificates of stock presented for redemption;
3. File the reports pertaining to the Fund as may be required by the SEC and other governmental entities;
4. Prepare the list of stockholders and number of shares owned by each for all regular or special meetings of the stockholders of the Fund upon prior written request of the Investment Manager
5. Prepare and mail out all notices, reports and circulars to all stockholders of the Fund upon prior written request of the Investment Manager;
6. Compute cash and stock dividends;
7. Prepare and Mail checks for the payment of cash dividends and certificates covering number of shares declared as stock dividends;
8. Replace stock certificates reported as lost, stolen or destroyed;
9. Register all liens constituted on the shares of stock of the Fund;
10. Ensure all certificates issued are within the authorized capitalization of the Fund and
11. Follow such duties and responsibilities as set forth in the Stock and Transfer Agency Agreement.

For services rendered, the Fund agrees to pay BDO Unibank, Inc. – Trust and Investments Group a monthly fee of Six Thousand Pesos (₱6,000.00) and other fees as stipulated in the Agreement.

CORPORATE GOVERNANCE

To fully comply with the adopted leading practices on good corporate governance, the Company has prepared and executed the Company's Revised Manual on Corporate Governance which was approved and adopted by the Board of Directors on July 29, 2014.

The Company's Revised Manual on Corporate Governance provides for, among others, the following:

1. Appointment of a Compliance Officer, who shall be a director or officer of the Corporation and have direct reporting responsibilities to the Chairman of the Board, and monitor and insure adherence with the provisions of the Manual of Corporate Governance.
2. Responsibilities, specific duties, and functions of the Board of Directors, which includes ensuring that the Company complies with all relevant laws, regulations and codes at best

business practices. It shall be the Board's responsibility to foster the long- term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility which it shall exercise in the best interest of the Company, its shareholders and stakeholders.

3. Creation of Board Committees, such as Audit Committee, the Nominations Committee and the Compensation and Remuneration Committee.
4. Procedures for monitoring and assessment compliance of the Manual of Corporate Governance.
5. The conduct of a training process for the purpose of conducting orientation program or workshop to implement the Manual of Corporate Governance
6. Penalties for non-compliance of the Manual of Corporate Governance

EXPENSES CHARGEABLE TO THE FUND AND THE INVESTMENT MANAGER

EXPENSES CHARGEABLE TO THE FUND

The following expenses shall be for the account of the Fund and shall be given priority in determining compliance by the Fund with any limitation on operational expenses set forth in applicable Philippine laws and regulations.

1. Compensation of the officers and directors of the Fund;
2. Audit and legal fees;
3. Brokerage charges and other customary fees and charges in connection with the acquisition, appraisal and disposition of the Fund's assets;
4. Fees of the custodian bank and customary fees and charges in connection with the acquisition, appraisal and disposition of the Fund's assets.
5. Fees of the Investment Manager as compensation for the services and facilities of investment manager.
6. Cost of printing and mailing reports, notices, proxy forms, and other communication to stockholders of the Fund, except those borne by the custodian bank;
7. Fees of transfer agents for the securities of the Fund and other transfer fees to the extent not absorbed by buyers of the Fund's securities;
8. Costs of the registration of the Fund and its securities with the SEC; and
9. Taxes, including income taxes, license fees, documentary stamp taxes, to the extent not absorbed by buyers of the Fund's securities, including cost of bonding the Fund's personnel and officers as may be required by law or by rules and regulations of the SEC.

EXPENSES CHARGEABLE TO THE INVESTMENT MANAGER

The following expenses shall be deemed covered by the management fee under Section 3 of the Management and Distribution Agreement and shall therefore be for the account of the Investment Manager (PEMI), to wit:

1. Salaries, bonuses, allowances and other compensation of the personnel hired by PEMI to perform the services in Section 1(a) of the Management and Distribution Agreement, including other costs incurred by PEMI's salesmen, personnel and officers, in connection with the selling of the Fund's shares as may be required by applicable Philippine law or by rules and regulations of the SEC;
2. Expenses of providing the office space and other administrative facilities referred to in Section 1(b) of the Management and Distribution Agreement, including office rentals, cost of office equipment and supplies, cost of utilities, such as telephone, light and water facilities;
3. All other operating expenses of the Fund, subject to the exceptions specified above under the topic Expenses Chargeable to the Fund.