

FIRST METRO EXCHANGE TRADED FUND
“FMETF”

FIRST METRO PHILIPPINE EQUITY
EXCHANGE-TRADED FUND



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DEFINITION

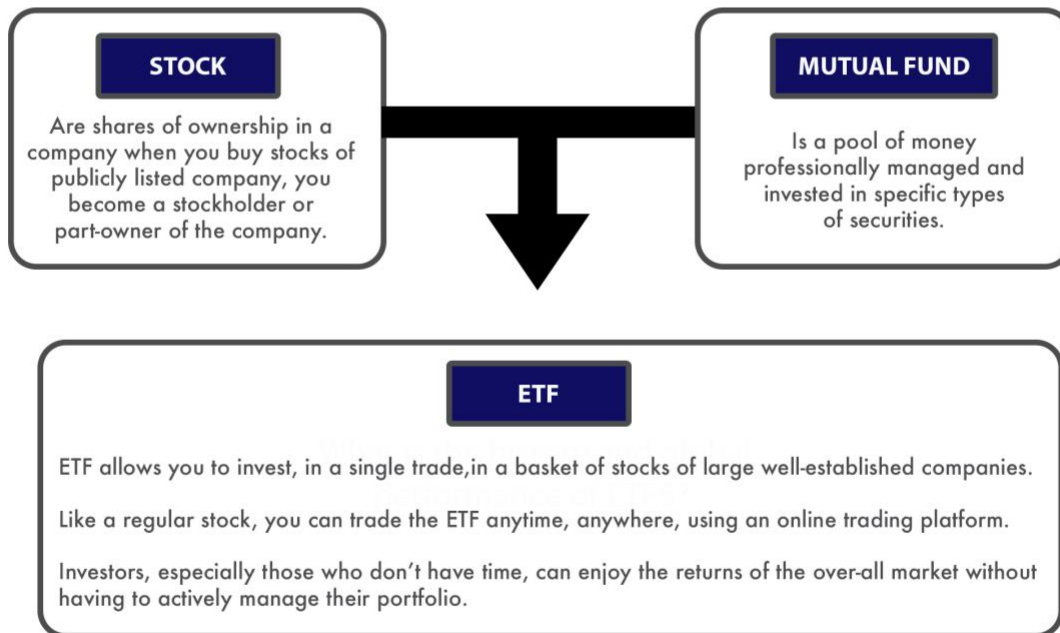
An ETF, or exchange-traded fund, is an investment fund traded on an exchange, such as the Philippine Stock Exchange (PSE), intended to track an index or a basket of assets.

WHAT IS AN INDEX

Index is an indicator to measure or monitor the performance of a group of securities. For the PSE, its main index is the PSEi, which is composed of 30 of the largest and most liquid stocks.

ETFs are subject to market fluctuation, the risks of their underlying investments, management fees, and other expenses.

Two great investment vehicles brought together.





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FEW BASIC FACTS

- Designed to track the performance of PSEi
- Cost efficient way of diversifying portfolio
- Allows investors access to a broader market at lower expense ratios
- Can be traded like a stock
- ETF's have no sales loads

History

The first ETF was launched in the US, year 1993, by the State Street Global Advisors* called SPDR or "spider", it is still one of the most actively-traded ETFs today. In their early days, ETFs were used primarily by institutional investors to execute sophisticated trading strategies.

Soon afterward, individual investors and financial investors embraced ETFs. In Asia, the first ETF was introduced in 1999 (TraHK or Tracker Fund of Hong Kong); which paved way to the development of the HK ETF Market.

Global Performance



Source: Reshaping Around The Investor - Global ETF Research

*State Street Global Advisors is the investment management division of State Street Corporation and the world's fifth largest asset manager as of December 31, 2017.



FIRST METRO PHILIPPINE EQUITY
EXCHANGE-TRADED FUND

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WHY SHOULD YOU CONSIDER INVESTING IN ETFs

TRANSPARENCY • Investors know the ETF holdings, price and costs in real-time by disclosing the full portfolios daily on public via www.firstmetroetf.com.ph

LIQUIDITY • Can buy and sell ETFs in the stock exchange/market during trading hours.
• Allows you to more quickly enter or exit the marketing during the day

DIVERSIFICATION • ETFs provide immediate exposure to a basket or group of securities for instant diversification

FLEXIBILITY • ETFs are listed on an exchange (PSE) and can be traded anytime the market is open

COST EFFECTIVENESS • ETFs offer a cost-effective route to diversified market exposure, generally lower than an active fund invested in the same market of assets

DIFFERENT KINDS OF ETFs

While there are more than 1,915 ETFs available today, more than 99% of the assets are invested in traditional index-based ETFs*. And at present, only one ETF is available in the Philippines. This is the First Metro Philippine Equity Exchange Traded Fund (FMETF).

The most basic ETF is the index ETF, which aims to track a benchmark index. For discussion and illustration purposes in this document, equity index ETF will be used.

*Source: Vanguard and Bloomberg as of December 31, 2017



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HISTORY OF ETF IN THE PHILIPPINES

2013 – First Metro Investment Corporation (FMIC) launched the first ETF in the country called First Metro Philippine Equity Exchange-Traded Fund (FMETF). The fund aims to provide returns which would reflect the performance of the Philippine equities market by investing in stocks of listed companies included in the PSEi.

First Metro Asset Management, Inc. (FAMI) is the fund manager and principal distributor of FMETF, while First Metro Securities Brokerage Corporation (FMSBC) and IGC Securities (IGC) are the authorized participants.

WHAT IS THE DIFFERENCE AMONG ETFs, MUTUAL FUNDS, and UITFs?

	ETF	MF	UITF
Meaning	Exchange-traded fund	Mutual Fund	Unit Investment Trust Fund
Issued by	Investment company	MF company, Investment company	Banks and trust corporations
How to invest	Register through any PSE brokers	You can open an account through a licensed mutual fund agent.	Through a trust representative of a bank
Minimum investment	If bought through the exchange, minimum investment would be dependent on price and board lot	Dependent on fund manager (by law, the minimum investment is PHP5000)	Dependent on fund manager
Trading Strategy	Generally passive	Can be passive (if fund is an index tracker) or actively managed	Can be passive (if fund is an index tracker) or actively managed
Regulatory body	PSE, SEC	SEC	BSP
Intraday trading	Can be traded intraday at market price; price guidance through iNAV disclosure every minute	Purchase at NAV which is calculated at end-of-day (NAVPS)	Purchase at NAV which is calculated at end-of-day (NAVPU)
Entry and Exit costs	Similar to trading a stock – brokers commission, transaction fees, etc.	Front-end load, back-end load, redemption fee	Early redemption fee
Management fees	Same fees in stock trading ; lower management fee	Sales load (front-end, back-end) and some with redemption or pre-termination fee	Some with early redemption fee or pre-termination fee
Redemption	Cash and/or shares of the underlying assets	Cash	Cash



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TERMINOLOGIES

ETF Terms	Responsibility
Fund Manager	Responsible for implementing a fund's investment strategy and managing daily its portfolio trading activities.
Authorized Participant	Accepts and collates orders from brokers and institutions for creation and redemption of new ETF shares
iNAV calculator	Calculates and supplies the intraday NAV of the fund

HOW DO I INVEST IN FMETF?

1. Allocate funds that you want to invest.
REMEMBER: Your minimum investment will depend on the price of the ETF and the PSE minimum board lot.
2. Open an account with any of the accredited PSE brokers.
3. Start buying and selling the ETF shares, just like any listed stocks!



DID YOU KNOW?

FMETF was recognized as Asia's best emerging market ETF and in 2015, FAMI was awarded as Asean's best ETF manager.



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FREQUENTLY ASKED QUESTIONS

What are the advantages in investing in an ETF?

ETFs offer the opportunity to invest in a portfolio of securities that provide the same diversification benefits of mutual funds with the liquidity and trading flexibility of stocks.

What should I consider before investing in an ETF?

An investor should evaluate his investment objectives and horizon. It is crucial to begin by taking the time to evaluate your goals; considering whether such investment meet your particular needs.

What will happen to the dividends declared by the constituent stocks* of an equity index ETF?

**typically a stock or company that is part of a larger index*

The dividends may either be paid out by the ETF or reinvested into the fund.

Will I be able to outperform the index if I invest in ETFs?

The main goal of ETF is to track an index. Its objective is to mirror the current index. It is a passive fund hence should generate returns similar to the index.

What are the risks?

As with the regular stock investing, your ETF investment will also be dependent on favorable market conditions and subject to market volatility.

Where can I buy ETFs?

Just like other listed stocks, you may buy ETFs at any brokerage firm. For block orders, you can go to any authorized participant.

How much is the minimum investment for ETFs?

When you buy ETF shares in the exchange, there will be no minimum investment required. You will, however, be bound by the minimum board lot size which is prescribed by the PSE. Minimum board lots depend on the price of the ETF shares.



FIRST METRO ASSET MANAGEMENT, INC.
Metrobank Group

**18F PSBank Center, 777 Paseo de Roxas
cor. Seden St., Salcedo Village,
Makati City**

(632) 891 2860 to 65

www.firstmetroetf.com.ph

Important information:

This material is intended only to provide information regarding the First Metro Philippine Equity Exchange Traded Fund. (It is not to solicit investments in the fund). Each person contemplating investment in the fund market must make his own investigation and analysis of the risks in investing in a listed mutual fund.