

Edgar Filing: FIRST PHILIPPINE FUND INC - Form N-30D

FIRST PHILIPPINE FUND INC  
Form N-30D  
February 23, 2001

[FIRST PHILIPPINE LOGO OMITTED]

SEMI-ANNUAL REPORT  
DECEMBER 31, 2000

February 7, 2001

Dear Shareholder:

On January 20, 2001, Vice President Gloria Macapagal-Arroyo was sworn in as the fourteenth President of the Philippines. Mrs. Macapagal-Arroyo's ascension to the nation's highest office was brought about by the second bloodless "people power" revolution in Philippine history. Since then, the new administration has assembled its cabinet and has begun to tackle the challenges of governing a nation.

The First Philippine Fund Inc. (the "Fund") is pleased by these developments. We welcome not only the change in leaders, but also, and perhaps more importantly, what this change signifies - the Filipinos' outright rejection of cronyism, corruption, and policy drift in government and their deep conviction in the need for good governance, morality in leadership, and a rule of law that applies to all. We are happy to see the manifestation of unity among various sectors of society, one in a desire to move the country forward. We are pleased that these events have, once again, occurred peacefully.

#### INVESTMENT RESULTS

Surely a new dawn has risen in the Philippines in 2001, after a year of much difficulty and uncertainty. As investors in the Philippines, we have seen the past year's struggles evident in the financial markets, and reflected in the performance of the Fund.

The Fund's net asset value ("NAV") per share stood at \$4.35 on December 29, 2000, decreasing by 4.6% in the fourth quarter of 2000. In the same period, the Fund's benchmark, the Philippine stock market composite index ("Phisix"), declined by 3.7% in US-dollar terms. Over the last six months, the Fund's NAV declined by 17.0% while the Phisix contracted by 15.7% in US-dollar terms. For the full year 2000, the Fund's NAV and benchmark declined by 44.2% and 43.8%, respectively.

The stock market's weakness was exacerbated by the considerable depreciation of the peso against the US dollar. At the end of 2000, the peso stood at P49.986/US\$, depreciating by 7.5% in the fourth quarter, by 13.5% in the second half, and by 19.4% in the full year of 2000.

The Fund's share price closed at \$3.375 on December 29, 2000, declining by 1.8% in the fourth quarter, by 16.9% over the last six months, and by 47.1% in 2000. The Fund's shares traded at a 22.4% discount to NAV at the end of 2000.

#### MARKET REVIEW

Both the stock market and the peso exhibited extreme volatility in a fourth quarter fraught with political drama. The allegations of former President Joseph

## Edgar Filing: FIRST PHILIPPINE FUND INC - Form N-30D

Estrada's involvement in illegal gambling activity first surfaced in October. As the investigation of these charges commenced, the clamor for the President's resignation or impeachment grew louder. The House of Representatives formally impeached the President on November 13 and the ensuing impeachment trial began on December 7.

With the country focused on politics, the markets largely ignored a laudable third quarter economic report. Real gross domestic product ("GDP") grew by 4.8% year on year in the third quarter, above the second quarter's 4.5% growth and market consensus of 4%. For the first nine months of 2000, GDP rose 4.2% year on year. The economy in the third quarter was buoyed by improvements in investments and personal consumption, as well as industrial and agricultural output.

Instead, analysts highlighted the economy's vulnerabilities and doubted the sustainability of this economic performance. Concerns centered on:

- o The impact of the political crisis on consumer and investor confidence.
- o The impact of the plummeting peso on corporate earnings and interest rates.
- o The massive fiscal deficit, caused by poor tax collection and disappointing privatization proceeds, and its impact on interest rates and government spending.
- o Slowing exports, behind an uncertain global electronics cycle and an imminent slowdown in global economies in 2001.
- o Rising inflation, behind rising oil prices and labor costs.
- o Higher unemployment and its impact on consumer spending.

Indeed, the country's economic report for fourth quarter (released in January 2001) showed a marked slowdown. GDP grew by 3.6% year on year, its slowest pace in three quarters, as the political uncertainty pushed the peso to record lows, triggered interest rate hikes, and prompted businesses and consumers to cut back on spending. For all of 2000, GDP grew by 3.9%, just shy of the government's 4% target.

### A NEW BEGINNING

The establishment of new leadership in the Philippines in January prompted a fundamental change to the market and our outlook. We believe that the huge political risk overhang clouding the market has been lifted. We believe confidence in the Philippine economy and corporate sector is on its way to being restored. Already, we have seen the peso strengthen and the stock market recover significantly.

The new government surely inherits a poverty-stricken economy and a huge budget deficit. At the same time, it faces a global economic slowdown. Nonetheless, we are optimistic that the new government can now focus time and energy to face the many daunting challenges of 2001. The changes have certainly made the Philippines a more attractive investment destination now than in the recent past.

Therefore, in the coming months, the Fund will seek to liquidate its non-Philippine portfolio and raise investments in Philippine securities. Recognizing the many challenges that still lie ahead for the country, however,

## Edgar Filing: FIRST PHILIPPINE FUND INC - Form N-30D

we will conduct the reinvestment process gradually, seeking the best opportunities to maximize the Fund's investments. The Fund will continue to favor the blue chips liquid and well-established Philippine companies - and those that retain resilient earnings streams in this time of economic slowdown. These same stocks are likely to benefit from the return of foreign investor interest in the Philippines.

Your support of the Fund throughout these most extraordinary times is very much appreciated. We look forward to reaping with you the rewards of the Philippines' recovery.

Sincerely,

/s/LILIA C. CLEMENTE

Lilia C. Clemente  
DIRECTOR, PRESIDENT AND CHIEF EXECUTIVE OFFICER

/s/JOAQUIN G. HOFILENA

Joaquin G. Hofilena  
VICE PRESIDENT AND PORTFOLIO MANAGER

3

THE FIRST PHILIPPINE FUND INC.  
SCHEDULE OF INVESTMENTS  
DECEMBER 31, 2000 (UNAUDITED)

	Sector	Shares
-----		
PHILIPPINE COMMON STOCK -- (74.6%)		
-----		
Aboitiz Equity Ventures, Inc.	Conglomerates	17,200,000
ABS-CBN Broadcasting Corp. PDR (e) (g)	Media	1,550,000
Alsons Consolidated Resources, Inc.(b) (c)	Conglomerates	15,320,000
Asian Terminals, Inc. (b)	Port Operations	24,949,980
Ayala Corporation	Conglomerates	36,464,323
Ayala Land, Inc.	Real Estate Development	16,489,585
Bank of the Philippine Islands	Financials	1,349,068
Bankard, Inc.	Financials	6,470,000
Belle Corporation (c)	Real Estate Development	5,900,008
Benpres Holdings Corp. (c)	Conglomerates	19,109,700
Cosmos Bottling Corp.	Food and Beverage	6,650,000
Del Monte Pacific Ltd. (e) (h)	Food and Beverage	2,400,000
Digital Telecommunications Phils., Inc. (c)	Telecommunications	20,200,000
DMCI Holdings, Inc. (c)	Construction/Engineering	25,604,000
Filinvest Land, Inc. (c)	Real Estate Development	25,487,499
International Container Terminal Services, Inc. (c)	Port Operations	7,643,750
Ionics Circuits, Inc.	Technology	950,000
Jollibee Foods Corporation	Food and Beverage	3,089,485
La Tondena Distillers, Inc.	Food and Beverage	1,897,800

## Edgar Filing: FIRST PHILIPPINE FUND INC - Form N-30D

Manila Electric Co. - A	Power/Energy	2,574,000
Metro Pacific Corp. (c)	Conglomerates	15,550,000
Metropolitan Bank & Trust Company (c)	Financials	487,120
Music Corporation (c)	Technology	1,900,000
Philippine Long Distance Telephone Co. ADR (f)	Telecommunications	340,020
Pryce Corporation (b) (c)	Conglomerates	19,490,000
San Miguel Corp. - A	Food and Beverage	4,866,942
SM Prime Holdings, Inc.	Real Estate Development	21,350,000
SPI Technologies (c)	Technology	900,500
Union Cement Corp. (c) (e)	Construction/Engineering	22,038,041
Universal Robina Corp. (b)	Food and Beverage	6,162,000
Uniwide Holdings, Inc. (c) (e)	Conglomerates	20,687,000
<hr style="border-top: 1px dashed black;"/>		
TOTAL COMMON STOCK		
(Cost \$60,989,878)		
<hr style="border-top: 1px dashed black;"/>		
WARRANTS (0.0%)		
Music Corporation (b) (c)		
(Cost \$1,118)		
		111,764
<hr style="border-top: 1px dashed black;"/>		

See Accompanying Notes to Financial Statements

4

SCHEDULE OF INVESTMENTS (CONTINUED)	Sector	Units/Par (000)
<hr style="border-top: 1px dashed black;"/>		
BONDS (1.5%)		
Bacnotan Consolidated Industries, Inc.		
5.5%, 06/21/04 (Cost \$1,750,000)	Convertible Bond	\$1,750
<hr style="border-top: 1px dashed black;"/>		
CALL ACCOUNTS (6.9%)		
Philippine Pesos (d)		
(Cost \$3,521,587)		
<hr style="border-top: 1px dashed black;"/>		
TOTAL PHILIPPINE SECURITIES		
<hr style="border-top: 1px dashed black;"/>		
UNITED STATES COMMON STOCK (13.8%)		
		Shares
<hr style="border-top: 1px dashed black;"/>		
America Online Inc. (c)	Technology	19,000
Citigroup, Inc	Financials	19,866
Coca-Cola Co.	Food and Beverage	20,000
Enron Corp.	Power/Energy	6,000
General Electric Co.	Conglomerates	18,000
Intel Corp.	Technology	14,400
Nokia ADR (f)	Technology	25,000
Pfizer Inc.	Healthcare	21,600
<hr style="border-top: 1px dashed black;"/>		
TOTAL COMMON STOCK		
(Cost \$7,704,961)		
<hr style="border-top: 1px dashed black;"/>		
COMMERCIAL PAPER (3.2%)		
American Express Credit Corp.		

Edgar Filing: FIRST PHILIPPINE FUND INC - Form N-30D

6.48467%, 01/02/01 (Cost \$1,563,000)

1,563

TOTAL INVESTMENTS -- 100.0%  
(Cost \$75,530,544) (a)

- (a) At cost for Federal Income tax purposes \$75,530,544. Aggregate gross unrealized appreciation (depreciation) for all securities is as follows:  
     Excess of market value over tax cost  
     Excess of tax cost over market value
- (b) At fair value as determined by the Board of Directors.  
 (c) Non-income producing security.  
 (d) Daily interest is being accrued at a rate of 4% of the outstanding balance.  
 (e) Pursuant to Rule 144A under the Securities Act of 1933, all or a portion of these securities can only be sold to qualified institutional investors.  
 (f) ADR -- American Depository Receipt.  
 (g) PDR -- Philippine Depository Receipt.  
 (h) Singapore security.

See Accompanying Notes to Financial Statements

5

THE FIRST PHILIPPINE FUND INC.  
STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

ASSETS

Investments at value (Cost \$75,530,544) .....  
 Cash .....  
 Dividends receivable .....  
 Interest receivable .....  
 Prepaid Insurance .....

TOTAL ASSETS .....

LIABILITIES

Accrued expenses payable .....  
 Payable for securities purchased .....

TOTAL LIABILITIES .....

NET ASSETS

(applicable to 11,225,000 common shares outstanding) .....

NET ASSET VALUE PER SHARE

(\$48,826,587/11,225,000) .....

Net assets consist of:

    Capital stock .....  
     Paid-in capital .....  
     Accumulated net investment loss .....  
     Accumulated net realized loss on investments .....

Edgar Filing: FIRST PHILIPPINE FUND INC - Form N-30D

Net unrealized depreciation on investments, foreign currency holdings,  
and other assets and liabilities denominated in foreign currency .....

NET ASSETS .....

STATEMENT OF OPERATIONS (UNAUDITED)

INVESTMENT INCOME

Dividends (net of taxes withheld \$104,628) .....

Interest (net of taxes withheld \$5,421) .....

TOTAL INVESTMENT INCOME .....

EXPENSES

Investment advisory fee .....

Trustee fee .....

Administration fee .....

Custodian fees .....

Transfer agent fees .....

Legal fees .....

Audit fees .....

Directors fees .....

Printing .....

Insurance .....

Miscellaneous .....

TOTAL EXPENSES .....

NET INVESTMENT LOSS .....

REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS, FOREIGN CURRENCY  
HOLDINGS, AND OTHER ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:

Net realized loss on:

Security transactions .....

Foreign currency transactions .....

Net change in unrealized appreciation (depreciation) on:

Investments .....

Foreign currency holdings and other assets and liabilities denominated in foreign currency .

Net realized and unrealized losses on investments, foreign currency holdings  
and other assets and liabilities denominated in foreign currency .....

NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS .....

See Accompanying Notes to Financial Statements

Edgar Filing: FIRST PHILIPPINE FUND INC - Form N-30D

STATEMENT OF CHANGES IN NET ASSETS

(UNAUDITED)

INCREASE (DECREASE) IN NET ASSETS

Operations:	
Net investment loss .....	\$ (131,171)
Net realized loss on security transactions .....	(12,166,891)
Net realized gain (loss) on foreign currency transactions .....	(410,468)
Net change in unrealized appreciation (depreciation) on investments, foreign currency holdings and other assets and liabilities denominated in foreign currency .....	2,736,608
-----	
Net decrease in net assets resulting from operations .....	(9,971,922)
-----	
Net assets:	
Beginning of period .....	58,798,509
-----	
End of period (including accumulated losses of (\$638,215) and (\$96,576), respectively) .....	\$ 48,826,587
=====	

See Accompanying Notes to Financial Statements

THE FIRST PHILIPPINE FUND INC.  
FINANCIAL HIGHLIGHTS  
(FOR A SHARE OUTSTANDING THROUGHOUT EACH YEAR)

	For the Six Months Ended December 31, 2000 (Unaudited)	----- 2000	For th ----- 1999
-----			
PER SHARE OPERATING PERFORMANCE			
Net asset value, beginning of period .....	\$5.24	\$ 9.73	\$ 6.51
-----			
INCOME FROM INVESTMENT OPERATIONS			
Net investment loss .....	(0.01)	(0.06)	(0.07)
Net realized and unrealized gains (losses) on investments, foreign currency holdings and other assets and liabilities denominated in foreign currencies .....	(0.88)	(4.43)	3.29
-----			
Net increase (decrease) from investment operations .....	(0.89)	(4.49)	3.22
-----			
LESS DIVIDENDS AND DISTRIBUTIONS			
Distributions from net investment income .....	--	--	--
Distributions from net realized long-term gains .....	--	--	--
Distributions from net realized short-term gains .....	--	--	--
-----			
TOTAL DIVIDENDS AND DISTRIBUTIONS .....	--	--	--
-----			
Net asset value, end of period .....	\$4.35	\$5.24	\$9.73

Edgar Filing: FIRST PHILIPPINE FUND INC - Form N-30D

PER SHARE MARKET VALUE, END OF PERIOD .....	\$3.38	\$4.06	\$8.63
-----			
TOTAL INVESTMENT RETURN			
Based on market value* .....	(16.92)%***	(52.90)%	50.00%
-----			
RATIOS/SUPPLEMENTAL DATA			
Net assets, end of period (in 000's) .....	\$48,827	\$58,799	\$109,256
Ratios to average net assets:			
Operating expenses .....	2.28%**	1.88%	2.07%
Net investment loss .....	(0.51)%**	(0.86)%	(1.02)%
Portfolio turnover .....	43.75%	14.37%	16.26%
-----			

See Accompanying Notes to Financial Statements

8

NOTES TO FINANCIAL STATEMENTS -- DECEMBER 31, 2000  
(UNAUDITED)

=====

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The First Philippine Fund Inc. (the "Fund") was incorporated in the State of Maryland on September 11, 1989. The Fund is registered under the Investment Company Act of 1940, as amended, as a non-diversified, closed-end investment management company. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

1. PORTFOLIO VALUATION: Investments are stated at value in the accompanying financial statements. All equity securities for which market quotations are readily available are valued at the last sales price or lacking any sales, at the mean between the last current bid and asked prices. Securities that are traded over-the-counter are valued at the mean between the current bid and asked prices. Securities totaling \$1,522,548 (3% of net assets), for which market values are not readily available or average trading volume is small relative to the Fund's holdings, are carried at fair value as determined in good faith by or under the supervision of the Board of Directors. Short-term investments having a maturity of 60 days or less are valued on the basis of amortized cost.
2. INVESTMENT TRANSACTIONS AND INVESTMENT INCOME: Investment transactions are accounted for on the trade date. The cost of investments sold is determined by use of the specific identification method for both financial reporting and income tax purposes. Interest income is recorded on an accrual basis; dividend income is recorded on the ex-dividend date or when known. The collectibility of income receivable from foreign securities is evaluated periodically, and any resulting allowances for uncollectible amounts are reflected currently in the determination of investment income.
3. TAX STATUS: No provision is made for U.S. Federal income or excise taxes as it is the Fund's intention to continue to qualify as a regulated investment company and to make the requisite distributions to its shareholders which will be sufficient to relieve it from all or



## Edgar Filing: FIRST PHILIPPINE FUND INC - Form N-30D

substantially all U.S. Federal income and excise taxes. For the year ended June 30, 2000, no U.S. Federal income or excise tax provision was required. Dividends and interest income are subject to withholding tax at various rates not exceeding 25% and such tax is recorded on the accrual basis at the time when the related income is recorded.

The Fund has a capital loss carry forward in the amount of \$17,052,998, of which \$466,990, \$7,894,664 and \$8,691,344 are available as a reduction of future net capital gains realized for the years ended 2005, 2007 and 2008, respectively.

Capital and foreign currency losses incurred after October 31 ("post-October losses") within the taxable year are deemed to arise on the first business day of the Fund's next taxable year. The Fund after October 31, 1999 incurred and elected to defer net capital losses of \$15,616,004 and foreign currency loss of \$96,576 during the year ended June 30, 2000.

4. FOREIGN CURRENCY: The books and records of the Fund are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars on the following basis:

- (I) market value of investment securities and other assets and liabilities at the Philippine peso exchange rate at the end of the period; and
- (II) purchases and sales of investment securities, income and expenses at the Philippine peso rate of exchange prevailing on the respective dates of such transactions. Exchange gains or losses are realized upon ultimate receipt or disbursement.

The Fund does not generally isolate the effect of fluctuations in foreign exchange rates from the effect of fluctuations in the market prices of securities held whether realized or unrealized.

Realized gains or losses on foreign currency transactions represent net foreign exchange gains or losses from the disposition of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and between amounts of interest, dividends and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent amounts actually received or paid.

9

NOTES TO FINANCIAL STATEMENTS -- DECEMBER 31, 2000 (CONT'D)  
(UNAUDITED)

=====

The change in unrealized appreciation or depreciation of foreign currency holdings and other assets and liabilities denominated in foreign currencies represents the change in the value of the foreign currencies and other assets and liabilities arising as a result of changes in foreign exchange rates.

Foreign security and currency transactions may involve certain conditions and risks not typically associated with those of domestic origin as a result of, among other factors, the level of government supervision and regulation of foreign securities markets and the possibilities of political or economic instability.

## Edgar Filing: FIRST PHILIPPINE FUND INC - Form N-30D

5. FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS: The Fund may enter into forward currency contracts. When the Fund enters into a contract for the purchase or sale of securities denominated in a foreign currency, or when the Fund anticipates the receipt in a foreign currency of interest or dividend payments, the Fund may desire to "lock-in" the U.S. dollar price of the security or the U.S. dollar equivalent of such interest or dividend payment, as the case may be. Risks may arise upon entering these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar.
6. DISTRIBUTION OF INCOME AND GAINS: The Fund intends to distribute to shareholders, at least annually, substantially all of its net investment income and expects to distribute annually any net capital gains in excess of net capital losses. An additional distribution may be made to the extent necessary to avoid the payment of a 4% Federal excise tax.

The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with Federal income tax regulations which may differ from generally accepted accounting principles. These "book/tax" differences are either considered temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their Federal tax-basis treatment; temporary differences do not require reclassification. To the extent they exceed net investment income and net realized capital gains for tax purposes, they are reported as distributions of paid-in capital.

As of June 30, 2000, the Fund had temporary book/tax differences primarily attributable to post-October losses and permanent book/tax differences primarily attributable to foreign currency losses and net operating loss and sale of PFICs. During the year ended June 30, 2000, the Fund decreased accumulated net investment loss by \$2,709,008 and increased accumulated net realized loss on investment of \$1,161,262 with an offsetting decrease to paid-in-capital of \$1,547,746. Net investment loss and net assets were not affected by the change.

7. REPURCHASE AGREEMENTS: The Fund may enter into repurchase agreements with respect to dollar-denominated debt securities of United States issuers. The Fund's custodian takes possession of collateral pledged for investments in repurchase agreements. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to ensure the adequacy of the collateral. If the seller defaults, the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

### B. MANAGEMENT AND INVESTMENT ADVISORY SERVICES

The Fund has entered into an Investment Advisory Agreement for portfolio management services with Clemente Capital, Inc. (the "Investment Adviser") and a Trust Agreement with the Philippine National Bank (the "Trustee") for certain services relating to the Philippine Trust. The Investment Advisory Agreement is approved on an annual basis and provides for the Investment Adviser to receive a fee computed weekly and payable monthly at the annual rate of 1% of the Fund's average weekly net assets. For the six months ended December 31, 2000, the Investment Adviser earned \$256,588 from the Fund, of which \$50,077 was payable to the Investment Adviser at December 31, 2000.

# Edgar Filing: FIRST PHILIPPINE FUND INC - Form N-30D

10

NOTES TO FINANCIAL STATEMENTS -- DECEMBER 31, 2000 (CONT'D)  
(UNAUDITED)

=====

PNB Investments Limited (the "Philippine Adviser"), a wholly-owned subsidiary of the Trustee, provides the Investment Adviser with investment advice, research and assistance pursuant to a Research Agreement with the Investment Adviser. For its services, the Philippine Adviser receives from the Investment Adviser a fee at an annual rate of .35% of the Fund's average weekly net assets. For the six months December 31, 2000, the Investment Adviser paid \$89,806 to the Philippine Adviser.

Substantially all of the Fund's assets are invested through and held in the Philippine Trust. Under the Trust Agreement, the Trustee receives a monthly fee at the annual rate of .15% of the Fund's average weekly net assets held in the Philippine Trust, subject to a minimum fee of \$150,000 for administration of the Philippine Trust. The Trust Agreement remains in effect for the life of the Fund unless terminated in accordance with its terms. For the six months ended December 31, 2000, the Trustee earned fees of \$75,617, of which \$37,808 was payable to the Trustee at December 31, 2000.

PFPC Inc. (the "Administrator") provides administrative and accounting assistance to the Fund. Under the Administration Agreement, the Administrator receives a fee payable monthly at an annual rate of .10% of the Fund's average weekly net assets, subject to a minimum annual fee of \$124,800. For the six months ended December 31, 2000, the Administrator earned fees of \$62,913, of which \$20,857 was payable to the Administrator at December 31, 2000.

The Fund Pays Each of Its Directors Who is Not a Director, Officer or Employee of the Investment Adviser, the Philippine Adviser or the Trustee an Annual Fee of \$8,000 Plus \$750 for Each Meeting of the Board or of a Committee of the Board Attended in Person Plus Certain Out-of-pocket Expenses. Director Fees Payable At December 31, 2000 Were \$13,214 Which is Included in Accrued Expenses.

## C. CAPITAL STOCK

The authorized capital stock of the Fund is 25,000,000 shares of common stock \$.01 par value. Of the 11,225,000 shares outstanding at December 31, 2000, Clemente Capital, Inc. and PNB Investments Limited each owned 5,000 shares.

## D. PORTFOLIO ACTIVITY

Purchases and sales of securities, other than short-term obligations, aggregated \$10,420,804 and \$10,232,376, respectively, for the six months ended December 31, 2000.

## E. OTHER

The Fund has obtained the approval of the Central Bank for the registration and conversion into pesos of all proceeds of the initial offering to be invested in the Philippine securities markets, which by its terms ensures repatriation of such investment and the remittance of profits and dividends accruing thereon. Notwithstanding the foregoing, the right of the Fund to repatriate its investments in Philippine securities and to receive profits, capital gains and dividends in foreign exchange is subject to the power of the Central Bank, with the approval of the President of the Philippines, to restrict the availability of foreign exchange in the imminence of or during an exchange crisis or in times

Edgar Filing: FIRST PHILIPPINE FUND INC - Form N-30D

of national emergency.

There are nationality restrictions on the ownership of certain equity securities of Philippine companies. Based on confirmations which the Fund received from Philippine governmental authorities, the Fund believes that it is permitted to make certain investments through the Philippine Trust that are otherwise available only to Philippine nationals.

At December 31, 2000, 83% of the Fund was invested in Philippine securities. Future economic and political developments in that country could adversely affect the liquidity and/or value of the Philippine securities in which the Fund is invested.

11

[This page intentionally left blank]

[This page intentionally left blank]

[This page intentionally left blank]

DIRECTORS AND OFFICERS

-----

Benjamin P. Palma Gil  
DIRECTOR AND CHAIRMAN

Lilia C. Clemente  
DIRECTOR, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Leopoldo M. Clemente, Jr.  
DIRECTOR, EXECUTIVE VICE PRESIDENT AND MANAGING DIRECTOR

M.A.T. Caparas  
DIRECTOR

Roberto de Ocampo  
DIRECTOR

John Anthony B. Espiritu  
DIRECTOR

Andres R. Narvasa  
DIRECTOR

Joseph A. O'Hare, S.J.  
DIRECTOR

Robert B. Oxnam  
DIRECTOR

Stephen J. Solarz  
DIRECTOR

Santiago S. Cua, Jr.  
EXECUTIVE VICE PRESIDENT AND MANAGING DIRECTOR

Joaquin G. Hofilena  
VICE PRESIDENT AND TREASURER

Imelda Singzon  
VICE PRESIDENT

Maria Distefano

## Edgar Filing: FIRST PHILIPPINE FUND INC - Form N-30D

ASSISTANT SECRETARY

Executive Offices

-----  
152 West 57th Street, New York, NY 10019  
(For latest net asset value and market  
data, please call 212-765-0700 or access  
<http://www.clementecapital.com>.  
For shareholder account inquiries, call  
1-800-937-5449.)

-----  
INVESTMENT ADVISER  
Clemente Capital, Inc.

-----  
ADMINISTRATOR  
PFPC Inc.

-----  
TRANSFER AGENT AND REGISTRAR  
American Stock Transfer & Trust Company

-----  
CUSTODIAN  
Brown Brothers Harriman & Co.

-----  
LEGAL COUNSEL  
Fulbright & Jaworski L.L.P.

-----  
INDEPENDENT ACCOUNTANTS  
PricewaterhouseCoopers LLP

### SUMMARY OF GENERAL INFORMATION

-----  
THE FUND

The First Philippine Fund Inc. is a closed-end investment company whose shares trade on the New York Stock Exchange. The Fund seeks long-term capital appreciation primarily through investment in equity securities of Philippine companies. The Fund is managed by Clemente Capital, Inc.

-----  
SHAREHOLDER INFORMATION

Daily market prices for the Fund's shares are published in the New York Stock Exchange Composite Transactions section of most newspapers under the designation "FtPhil". The Fund's New York Stock Exchange trading symbol is FPF. Net asset value (NAV) and market price information about The First Philippine Fund Inc. shares are published each Monday in The Wall Street Journal, The New York Times and in other newspapers. For general information visit us at our web site <http://www.clementecapital.com>. For shareholder account inquiries call 1-800-937-5449.

-----  
DIVIDEND REINVESTMENT PLAN

Edgar Filing: FIRST PHILIPPINE FUND INC - Form N-30D

Through its voluntary Dividend Reinvestment Plan, shareholders of The First Philippine Fund Inc. may elect to receive dividends and capital gains distributions in the form of additional shares of the Fund.

-----  
This report, including the financial information herein, is transmitted to the shareholders of The First Philippine Fund Inc. for their information. This is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in this report.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may purchase at market prices from time to time shares of its common stock in the open market.  
-----