

SUN LIFE PROSPERITY FUNDS

ANNUAL REPORT 2003

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The Sun Life Prosperity Funds have complied with leading practices on corporate governance as required by the Securities and Exchange Commission.

**UPON WRITTEN REQUEST OF ANY SHAREHOLDER OF RECORD ENTITLED TO NOTICE OF AND VOTE AT THE MEETING, THE COMPANY SHALL FURNISH SUCH SHAREHOLDER WITH A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A WITHOUT CHARGE. ANY SUCH WRITTEN REQUEST SHALL BE ADDRESSED TO:**

**THE CORPORATE SECRETARY  
SUN LIFE PROSPERITY FUNDS  
10F TOWER 2, THE ENTERPRISE CENTER  
AYALA AVE. COR PASEO DE ROXAS  
MAKATI CITY, METRO MANILA**

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# LETTER TO SHAREHOLDERS

**Dear Shareholders,**

The Sun Life Prosperity Funds achieved respectable operating results for 2003 in the face of difficult business conditions. Assets of the Prosperity Bond Fund increased from PhP 2.9 billion in 2002 to PhP 4.4 billion by the end of 2003, a growth of 52%. The growth was largely attributed to investors' continuing preference for fixed income securities and investments from institutional sources. It was in 2003 that we also witnessed the resurgence of the Philippine equity market, with the PHISIX closing the year at 1,442, a remarkable growth of 41.6% over the yearend 2002 level. This augured well for the Prosperity Balanced Fund and the Prosperity Philippine Equity Fund. Assets of the Balanced Fund increased by 64% percent to PhP 122 million, while assets of the Equity Fund grew 26% to PhP 143 million by the end of the year. Assets of the Dollar Advantage Fund, which was launched in 2002 to address our investors' need for a long term dollar denominated investment, quadrupled from PhP 73 million in 2002 to PhP 305 million by the end of the year. Total assets of the four Prosperity Funds reached PhP 5 billion in 2003, from PhP 3.2 billion in 2002.

Return on investment (ROI) of 8.4% for the Bond Fund topped the 91-day T-bill benchmark of 5.33%. The returns were significant in a market characterized by declining interest rates. The Balanced Fund posted an annual return of 31.5%, outperforming the benchmark of 23.5%. The annual return for 2003 is the highest ever return for a single year posted by the Balanced Fund. The Equity Fund posted an annual return of 39.9%, again a record high for the Equity Fund. It was slightly lower than the benchmark return of 41.6% for the Phisix. It nevertheless outperformed its peers by a wide margin. Yield for the Dollar Advantage Fund was 3.86% for the year 2003. A dampened market outlook for long tenor bonds towards the end of 2003 caused a drag on this Fund's overall returns.

Indeed, adverse political and economic developments impaired investor confidence and contributed to the

uncertainty in 2003. Destabilization attempts, political bickering ahead of the 2004 elections and unclear economic platforms of the presidential candidates, a weak currency, an untamed fiscal deficit, and rising public debt levels led most investors to seek a safer haven for their money. Returns for the various funds under our management reflect the dedication of your investment managers to deliver above average returns for your funds.

Amidst all of these, we exerted efforts to expand distribution reach by establishing tie-ups with 2 major banks and more than a hundred brokers of the Philippine Stock Exchange. We continued to hold well-received investor's forums tackling various topics to educate our investors.

Moving forward, we will continue to expand and strengthen our distribution channels to bring our products and services closer to our investing public. We will further enhance client services to make investing easy for you. We will also look at introducing new funds that meet your varying investment needs. All these efforts are in line with our goal of making investing easy so that Filipinos will achieve financial freedom.

Your company is well positioned to take advantage of opportunities and challenges of the current year. Our fund managers are committed to managing your funds in the best possible manner to meet the objectives set out for the various funds.

In all these, we are committed to performing our obligations following sound standards of business and financial practices. We are also committed to upholding and promoting a strong ethical business culture in the performance of our duties as we manage your funds.

As always, we appreciate your continued trust and confidence in the Sun Life Prosperity Funds. We look forward to another fruitful and rewarding year with you.

  
**ESTHER C. TAN**  
Chairperson

  
**HENRY JOSEPH M. HERRERA**  
President

# MANAGEMENT REVIEW & OUTLOOK

## Sun Life of Canada Prosperity Bond Fund, Inc.

### FINANCIAL MARKETS IN REVIEW

The financial markets displayed remarkable resiliency despite the difficult operating conditions in 2003. A spate of adverse political and economic developments created much uncertainty and volatility that impaired investor confidence. Political bickering and destabilization ahead of the 2004 elections, weak currency and poor fiscal discipline betrayed the country's shaky political and economic base.

After dropping to all-time lows in 2002, interest rates rose modestly in 2003 along with abundant market liquidity. The bellwether 91-day treasury bill inched up to 6.03% from

5.43% in 2002. While the fiscal deficit of PhP 199.9 billion was a tad lower than the government's PhP 202 billion target, market sentiment was mixed, if not unenthusiastic.

Appetite for loans remained dull as banks struggled with an upsurge in problem loans. Most excess funds were channeled into risk-free government securities and diminished upward pressure on interest rates. Notably, the Bureau of Treasury continued to have access to cheap financing from the global capital markets. As before, long-dated bond auctions were inadequate which caused a further drop in long-term yields.

### INVESTMENT APPROACH

The acquisition of high-yield, investment-grade instruments underpin the Fund's broad-based strategy. Increasing the portfolio's loan content to optimum levels will be pursued vigorously with a strong bias towards credit quality. A more dynamic bond-trading policy will be implemented in view of the imminent switch to marked-to-market asset valuation in 2005.

### 2003 PERFORMANCE REVIEW

Return on investments (ROI) of 8.4% topped the 91-day T-bill benchmark of 5.33%. Since inception, we have continuously outperformed our benchmark. Our funds continue to provide superior returns to our beloved investors.

Interest income from government securities (FXTNs) made up the bulk of revenues. Bond purchases were concentrated

on medium tenors (5-7 years) even as longer dated bonds became unattractive due to the flat yield curve. Higher expense booking in the last quarter caused a drag on overall profitability.

No loans were booked during the year owing to weak demand for credit and asset quality concerns.

### LONG TERM PERFORMANCE OVERVIEW

Coupon earnings from government securities will be a steady source of profit growth. More public borrowings by the national treasury should translate to greater upside potential for investing in government securities. Heightened political tension approaching the May 2004 elections could sideline most investors and result in tepid lending activity. The lack of a reliable pricing benchmark for government bonds could raise some asset valuation issues on the impending switch to the marked-to market system in 2005.

# MANAGEMENT REVIEW & OUTLOOK

## Sun Life of Canada Prosperity Balanced Fund, Inc.

### FINANCIAL MARKETS IN REVIEW

The inverse relationship between equities and fixed income instruments re-emerged in 2003, with the former posting spectacular returns, while the latter's performance was tempered by unspent demand for longer-term government papers.

The Philippine equity market posted an annual return of 41.6% in 2003, closing the year at 1,442. The market's reversal after years of decline was fueled by inflows of foreign funds wanting to participate in the recovery in Asian markets, particularly, after the SARS outbreak during the early part of the year. Leading the rally was the telecommunications sector, as it delivered double-digit earnings growth in 2002 with expectations of even better performance for 2003. Investors bought up the sector, enabling it to post an average return of 203%. Not far behind was the Lopez group of companies whose share prices surged on expectations of a possible end to the companies' financial woes as the Energy Regulatory Commission unexpectedly granted Meralco a much needed rate hike. The group generated average share price returns of 182%.

The market, however, was not without its usual unexpected pullbacks. A series of negative events repeatedly dragged down market's frequent attempts to move forward, paring

down what could have been even higher returns. These include US' intention to invade Iraq and rid the latter of weapons of mass destruction; the SARS outbreak; the Magdalo mutiny; the Jose Pidal expose; resignations of key government officials; persistent rumors of further coup attempts and the Davide impeachment proceedings.

With the upcoming national elections, continued political bickerings among electoral candidates and the growing pile of government debts, fears that the country may falter, once again, in its long journey towards recovery surfaced with a vengeance. This has pushed investors, particularly financial institutions and retail clients, to seek safe haven assets.

Interest rates, thus, rose modestly in 2003 with the bellwether 91-day treasury bill inching up to 6.03% from 5.43% in 2002. Appetite for loans remained dull as banks struggled with an upsurge in problem loans. Most excess funds were, instead, poured into risk-free government securities, diminishing upward pressure on interest rates. Given the abundance in liquidity, the Bureau of Treasury held back on purchases of long-dated bonds, causing a further drop in long-term yields. This provided the bureau continued access to cheap financing from the domestic markets, while enjoying the same, globally.

### INVESTMENT APPROACH

The cautious sentiment in the equity market that greeted the beginning of 2003 led us to focus our attention on a handful of stocks that we believed would strengthen our portfolio – providing defensive qualities to minimize the impact of any downturn, and yet have enough growth potential to participate in market rallies. Significant drops and rallies in the market were used as opportunities to realign the portfolio to be more heavily weighted

towards telecommunications, retail and financial sector, underweight utilities and property, as well as book gains.

On the fixed income side, the aim was to stay short in anticipation of higher yields towards the second half of the year. As it was growing evident that the equity market would provide a significantly higher upside, investment activities were focused on realigning the equity portion of the fund.

## 2003 PERFORMANCE REVIEW

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The strategy worked to our favor, enabling the fund to post an annual return of 31.5%. This is the highest annual return we have generated so far since our Fund was launched in Year 2000, beating the benchmark of 23.23%.

On the equity side, our aim to maximize exposure in telecommunications companies bore fruit as share prices in the sector skyrocketed by an average of 203%. Both the retail and banking sector, however, underperformed the market, registering a mere 18% and 13% appreciation in share prices, respectively. While we missed some opportunities given our underweight position in the utilities sector, the realignment was successful as we head into the year 2004.

For the fixed income portion of the portfolio, investing in short-term notes (maturities of 10 to 14 months) enabled the fund to benefit from the rise in short-term interest rates, while minimizing the cash drag on the fund. Little was done on the long-end, as yields of longer-term bonds softened.

On the shareholder level, the fund saw steady inflows from investors searching for better returns than what bonds could offer and yet were not aggressive enough to be heavily invested in equities. The inflows made it more flexible to realign the equity portion of the fund, contributing to the favorable return.

## LONG TERM PERFORMANCE OVERVIEW

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Volatility in the equity market will continue, increasing more so as we near election day. The peso continues to weaken, and coupled with the country's fiscal state, indicates further upward bias for interest rates. As such, we shall continue with the strategy we have started last year, shifting investments into securities that could provide higher returns. And even as we keep an eye glued to the developments in the country's political arena, we will likewise keep ourselves abreast of developments on the regulatory side as valuations for fixed income investments shift from an accrual to a marked to market basis by 2005.

Management  
Review &  
Outlook

Prosperity  
Balanced  
Fund

# MANAGEMENT REVIEW & OUTLOOK

## Sun Life of Canada Prosperity Philippine Equity Fund, Inc.

### FINANCIAL MARKETS IN REVIEW

Year 2003 was another volatile year for the Philippine stock market, with the Philippine Composite Index (Phisix) zigzagging more than 100 points every few months. Cautious optimism that greeted President Arroyo's decision not to seek a full presidential term triggered the initial rally in the market in January. This was followed soon after by apprehensions on the growing conflict between the US and the United Nations with regards to Iraq. As the conflict came to an end a month later, strong corporate earnings provided an additional boost to the prevailing positive market sentiment. Notably, the telecommunications sector posted net income growth of as much as 30% for 2002, with prospects for 2003 expected to be even more lucrative as the mobile phone market continued to grow. This second rally, however, was shortlived. The outbreak of SARS weeks later erased two-thirds of market gains as Asia coped with the isolation, fear, anger and deaths inflicted by the deadly virus.

Philippine resiliency, as we know it, eventually re-emerged, as it posted one of the lowest incidents of infections and casualties. Asia, as a whole, managed to stem the spread of the virus, and as reports of new cases dwindled, business activity in the region slowly came back to life. Our country then reported an improvement in GDP numbers, higher OFW remittances, and more importantly, a lower than expected budget deficit for the first time in five months. Not surprisingly, the market rallied once more. Further fueling the uptrend was the return of foreign funds to Asia. The influx of liquidity drove Philippine share prices near post-1997 crisis highs, causing the Phisix to jump 200 points in the span of a month to hit the 1,300 level.

Not to be outdone, the bears raised their heavy paws once again, and clawed back gains as the Magdalo group staged a mutiny in the Makati CBD. Although the attempted coup ended peacefully after a 15-hour stand-off, the event highlighted the growing political tensions not only within the Arroyo administration, but also in the military as well.

Adding insult to the already injured image of the administration was the Jose Pidal expose – alleging that First Gentleman Mike Arroyo participated in money laundering activities, hiding campaign funds in several bank accounts under the name Jose Pidal. Fueling further tension in the market were the brazen heist at Citibank's head office in Makati, the resignation of Defense Secretary Angelo Reyes and persistent rumors of another coup attempt.

And yet, despite the security concerns, US President Bush stopped over in the Philippines long enough to convey his support of President Arroyo's administration. Foreign funds, seeing the improvement in Asian economies and the spectacular run of Asian equity markets, returned to the region. And the Phisix rallied once more, breaching the 1,400 level.

The bears, however, took one more swipe at the market with the initiation of impeachment proceedings against Supreme Court Justice Hilario Davide, who gained nationwide fame for his unbiased conduct of former President Estrada's impeachment trial. Although the proceedings came to naught, investors were effectively sidelined.

Towards the end of the year, as the electoral slate of the various political parties took shape, foreign funds took stock once more of the country's economic performance. OFW remittances continue to pour in while the budget deficit remained below target. Interest rates remain low, with demand for longer-term government notes robust. Inflation was tempered even as strong personal consumption continued to support the economy. So, once again, foreign liquidity, with the help of a little window-dressing, entered the market, pushing the Phisix to close near the year's high at 1,442, up 41.6% year-on-year.



## INVESTMENT APPROACH

The cautious sentiment that greeted the beginning of 2003 led us to focus our attention on a handful of stocks that we believed would strengthen our portfolio – providing defensive qualities to minimize the impact of any downturn, and yet have enough growth potential to participate in market rallies. Thus said, we also kept fund liquidity high in anticipation of shareholder redemptions as clients became more risk averse given the heavy beating experienced by the market in the past years.

Significant drops and rallies in the market were used as opportunities to realign the portfolio to be more heavily weighted towards telecommunications, retail and financial sector, underweight utilities and property, as well as book gains.

## 2003 PERFORMANCE REVIEW

The portfolio realignment exercise was successful in reversing a significant chunk of losses suffered during the previous years. The fund delivered an annual return of 39.9%, just slightly below the Phisix benchmark return of 41.6%. We nevertheless posted the highest returns in 2003 among our peers.

Our aim to maximize exposure in telecommunications companies bore fruit as share prices in the sector posted hefty returns in 2003. Both the retail and banking

sector, however, underperformed the market, registering a mere 18% and 13% appreciation in share prices, respectively. We also were able to achieve our desired realignment in the utilities and property sectors in 2003.

On the shareholder level, redemptions and transfers amounted to PhP 17.2 million, erasing the year's inflows to the fund. As expected, fund holders who have grown increasingly worried about the stock market found an opportunity to exit the fund given the hefty returns in 2003.

## LONG TERM PERFORMANCE OVERVIEW

Given the amoebic rate by which political events unfold, predicting the next three months alone will be a challenge, the next 12 months, even more so. Economic and corporate fundamentals will remain our basis in formulating investment decisions. And current trends advise us to remain cautious. We shall continue with the strategy we have started last year even as we keep an eye glued to the developments in the country's political arena. The realignments we have made in 2003, given the strong market recovery, position our portfolio for opportunities in 2004.

Management  
Review &  
Outlook

Prosperity  
Philippine  
Equity Fund

# MANAGEMENT REVIEW & OUTLOOK

## Sun Life Prosperity Dollar Advantage Fund, Inc.

### FINANCIAL MARKETS IN REVIEW

Global market trends in 2003 generally took its cue from developments in the US financial markets. The 25 basis point rate cut by the US Federal Reserve in the middle of the year point out that deflationary risks remain and hinted that interest rates will stay low at 1%, with no further cuts in the short to medium term. The rate cut was less than the market consensus of 50 basis points and forestalled a further global bond rally particularly among emerging market issues. The drop in US yields was largely due to falling growth expectations rather than inflation projections.

On the local front, the Philippine financial markets displayed remarkable resiliency despite the difficult operating conditions in 2003. Persistent coup threats and dirty politics in the run-up to the elections in 2004, the weak peso, and the chronic fiscal deficit presented major challenges to political and economic stability.

Favorable regional trends in the first semester resulted in a tightening in Asian sovereign spreads even as Philippine dollar bond prices surged to peak levels on the back of a liquidity-driven rally. Remarkably, the single-notch ratings downgrade by Standard and Pooors' and later on by Fitch, were shrugged off by market players for some time.

Spreads on the ROP 09 narrowed from a 9-month high of 580 basis points in March to a low of 341 basis points by mid-year. However, the botched mutiny of army junior officers in late July and the budget deficit overhang fanned bearish sentiments and sent bond prices spiraling down. When threats of destabilization dissipated towards the year-end, ROP bond prices recovered though nowhere near the previous high levels.

### INVESTMENT APPROACH

Investment strategy is view-driven. Core holdings include longer tenor instruments (ROP 19, 24 and 25) with higher coupons. Bond purchases are limited to liquid tenors to facilitate trading and lessen portfolio volatility. Despite the higher yields offered by corporate debt, these were excluded due to liquidity constraints.

### 2003 PERFORMANCE REVIEW

Fund return on investments (ROI) was 3.86% for the year and lagged the JACI benchmark of 13.68%. It is worth mentioning that the JACI portfolio contained a number of corporate issues that normally fetch higher yields than sovereign credits. Long tenor bonds proved most vulnerable to market volatility as political jitters dampened market outlook in the second half.

Bond purchases were initially biased towards the belly and the longer end of the curve. However, further purchases were put on hold until the full impact of the negative events in the 3<sup>rd</sup> quarter was fully discounted by the market. High cash levels were maintained during prolonged bouts of market volatility. Trading was limited mostly to opportunistic buys in the absence of clear market directions.

### LONG TERM PERFORMANCE OVERVIEW

The upcoming elections imply greater downside potential for Philippine bonds. Market players are expected to take underweight positions and demand higher risk premiums on Philippine assets.

An orderly conduct of the coming elections that would result in improved governance should augur well for price recovery prospects for Philippine bonds. To be sure, the country's weak fiscal and external accounts that require

constant foreign financing is a compelling concern. However, access to cheap funding in the overseas capital markets has become increasingly limited as the external debt burden has risen to distressing levels. Thus, the passage of major structural reforms aimed at addressing the country's chronic fiscal vulnerability cannot be stressed enough. Failure to undertake immediate reforms could result in another negative rating action on Philippine credits.

# MANAGEMENT REVIEW & OUTLOOK

## Financial Results

### prosperity bond fund

Net assets of the Fund registered a 51.6% growth from PhP2.9 billion in 2002 to PhP 4.4 billion by the end of year 2003, almost all of which is composed of investments in government securities. This is attributed to the strong interest of new and old shareholders' alike who invested a net amount of PhP 1.24 billion in 2003. The other PhP 260.7 million growth in net assets came from this year's net investment income, up 73.3% from the previous year's PhP 150.5 million. Total funds generated from shareholders' investments and collected interest income were reinvested to government treasury notes and prime corporate loans.

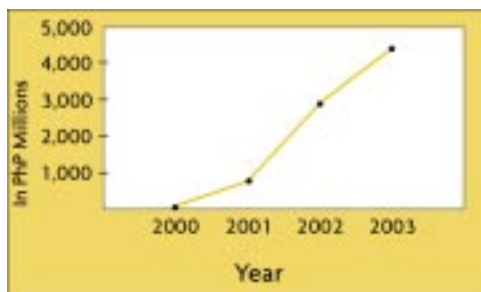
Investment income from government securities shot up 71.8% from PhP 244 million in 2002 to PhP 420 million in 2003 due to higher volume of investments as well as modest increase in interest rates. Total operating expenses, however, exceeded marginally by 3.6% the increase in revenue as operating expenses were up 75.4% this year, from PhP 48.0 million in 2002 to PhP 84.2 million in 2003. The increase in expenses was brought about significantly by the increase in DST which reflected a 92% increase compared to previous year. Despite this, the fund still managed to register an impressive 73.3% increase in net income.

#### Net Asset Value Per Share (NAVPS) in PhP

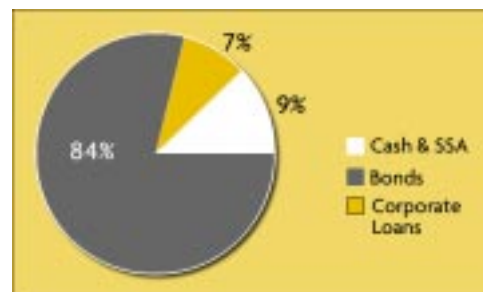
The following data are the range of high and low prices of the Fund's common shares for each quarter within the last two calendar years:

	2003		2002	
	High	Low	High	Low
1st Quarter	1.3138	1.2850	1.2126	1.1860
2nd Quarter	1.3403	1.3141	1.2373	1.2129
3rd Quarter	1.3679	1.3406	1.2617	1.2376
4th Quarter	1.3935	1.3681	1.2853	1.2620

#### Assets Under Management



#### Asset Allocation as of December 31, 2003



# MANAGEMENT REVIEW & OUTLOOK

## Financial Results

### prosperity balanced fund

Sun Life of Canada Prosperity Balanced Fund registered an impressive 63.67% growth in net assets from PhP 74.75 million in 2002 to PhP 122.33 million by the end of 2003. Similarly, Net Asset Value Per Share (NAVPS) broke the PhP 1.00 barrier and ended the year at PhP 1.1160, up 31.51% from the previous year's NAVPS of PhP 0.8486. The increase in the Fund's net assets is attributable significantly from unrealized appreciation of equity holdings closed to PhP 24 million coupled with net shareholders' investment and net income earned for the year.

Investment income of PhP 6.61 million for 2003 went down by 3% compared to PhP 6.80 million in 2002. The main source for the decline was due to the PhP 914 thousand realized loss on equity holdings as equity positions were realigned. The Fund's investment income consisted primarily of interest income, and dividends from listed securities. 97% of the total investment income came from interest on fixed income securities.

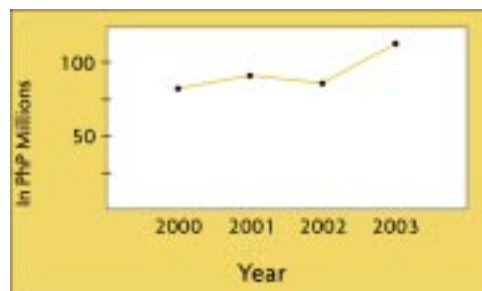
Operating expenses of PhP 3.06 million for the year 2003 went up by 20% compared to previous year's PhP 2.54 million. The increase came significantly from increase in expenses related to sales and AUM such as documentary stamp tax and management fee. Amortization of pre-operating expenses amounting to PhP 230 thousand also contributed to the increase. It went up by 127% compared to previous year's PhP 101 thousand due to change in accounting principle.

#### Net Asset Value Per Share (NAVPS) in PhP

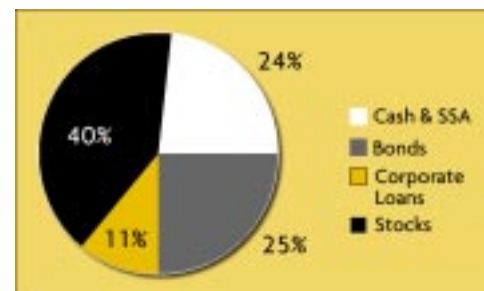
The following data are the range of high and low prices of the Fund's common shares for each quarter within the last two calendar years:

	2003		2002	
	High	Low	High	Low
1st Quarter	0.8916	0.8452	1.0867	0.9728
2nd Quarter	1.0105	0.8728	1.0901	0.9617
3rd Quarter	1.0556	0.9996	0.9827	0.9125
4th Quarter	1.1197	1.0446	0.9310	0.8421

#### Assets Under Management



#### Asset Allocation as of December 31, 2003



# MANAGEMENT REVIEW & OUTLOOK

## Financial Results

### prosperity philippine equity fund

Sun Life of Canada Prosperity Philippine Equity Fund bounced back from its slump in 2002 when its net assets grew from PhP 113.72 million in 2002 to PhP 142.76 million in 2003. The 25.53% increase over last year's net assets is significantly attributed to the unrealized appreciation in equity holdings, which was posted at PhP 48 million by year-end 2003.

Gross investment income was PhP 2.49 million in 2003, 59.81% lower than 2002 figure of PhP 6.21 million. This significant decline is attributed to realized losses from sale of equity investments amounting to PhP 4.84 million. To offset the 59.81% decline due to realized loss from sale of equity holdings, other sources of revenue such as interest income and dividend income posted a 35% and 40% increase respectively compared to 2002 figures. Operating expenses were slightly higher at PhP 4.64 million in 2003 compared to PhP 3.93 million in 2002 mainly due to increase in DST paid and increase in amortization of pre-operating expenses brought about by the change in accounting practice. DST expense grew by 99% while amortization expense grew by a hefty 136% compared to 2002.

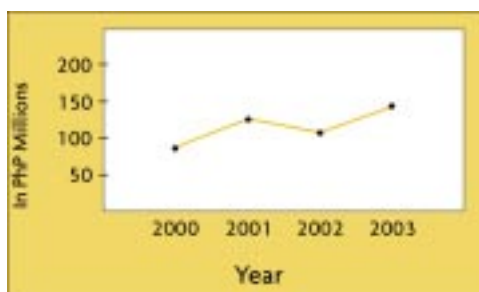
The Fund therefore had a net investment loss after taxes of PhP 3.14 million this year, compared to an income position of PhP 1.55 million last year. The returns of the Fund for the period was 39.90%, its highest return ever for a single year.

#### Net Asset Value Per Share (NAVPS) in PhP

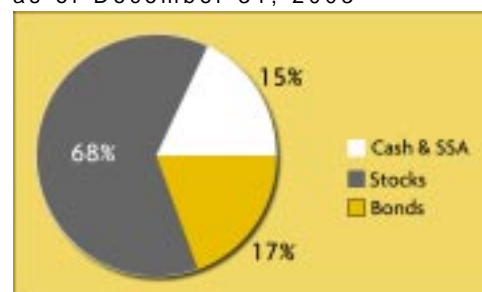
The following data are the range of high and low prices of the Fund's common shares for each quarter within the last two calendar years:

	2003		2002	
	High	Low	High	Low
1st Quarter	0.7213	0.6702	0.9834	0.8211
2nd Quarter	0.8437	0.7026	0.9712	0.8049
3rd Quarter	0.8761	0.8221	0.8289	0.7537
4th Quarter	0.9487	0.8634	0.7710	0.6657

#### Assets Under Management



#### Asset Allocation as of December 31, 2003



# MANAGEMENT REVIEW & OUTLOOK

## Financial Results

### prosperity dollar advantage fund

The Sun Life Prosperity Dollar Advantage Fund has come a long way since it commenced operations on July 1, 2002. Its net assets of US\$ 1.4 million as at the end of 2002, fuelled by new shareholders' investments as the public became more aware of its earnings potential, grew 295% in 2003 to end at US\$ 5.5 million.

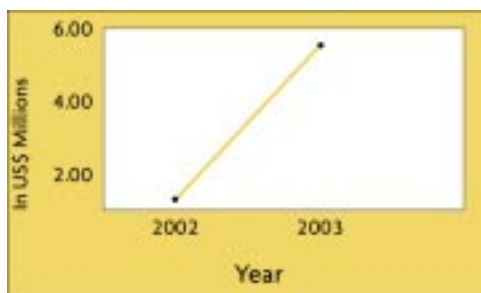
The Fund operated in 2002 for a period of 6 months; hence, income and expense data for the periods 2002 and 2003 are not reasonably comparable. Investment income for the full year 2003 was US\$227.0 million which is considerably higher than that for the 6-month period in 2002 amounting to US\$ 46.4 million. This was due to interest income on the larger volume of assets owned by the Fund in 2003. For the same reason, operating expenses increased from US\$ 14.0 thousand to US\$ 77.0 thousand due to the higher cost of administering & managing the Fund.

#### Net Asset Value Per Share (NAVPS) in US\$

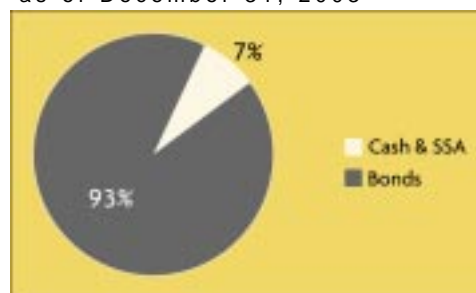
The following data are the range of high and low prices of the Fund's common shares for each quarter within the last two calendar years:

	2003		2002	
	High	Low	High	Low
1st Quarter	2.0447	2.0118	n.a.	n.a.
2nd Quarter	2.2025	2.0356	n.a.	n.a.
3rd Quarter	2.1524	2.0577	2.0339	1.9622
4th Quarter	2.1421	2.0289	2.0511	2.0082

#### Assets Under Management



#### Asset Allocation as of December 31, 2003



# DIRECTORS & EXECUTIVE OFFICERS

**Esther C. Tan**  
Director/Chairperson  
(Since inception to present)

**Atty. Aleli Angela G. Quirino**  
Independent Director  
(Since inception to present)

**Caesar P. Altarejos, Jr.**  
Treasurer  
(August 29, 2000 to present)

**Henry Joseph M. Herrera**  
Director/President  
(April 30, 2003 to present)

**Raoul Antonio E. Littaua**  
Director  
(August 29, 2000 to present)

**Atty. Amor M. Datinguino**  
Secretary  
(December 4, 2000 to present)

**Feliciano L. Miranda, Jr.**  
Independent Director  
(August 29, 2000 to present)

## prosperity bond fund

**Esther C. Tan**  
Director/Chairperson  
(Since inception to present)

## prosperity balanced fund

**Henry Joseph M. Herrera**  
Director/President  
(April 30, 2003 to present)

**Rafael M. Alunan III**  
Independent Director  
(Since inception to present)

**Atty. Nilo B. Peña**  
Independent Director  
(Since inception to present)

**Caesar P. Altarejos, Jr.**  
Treasurer  
(August 29, 2000 to present)

**Dr. Erlinda S. Echanis**  
Independent Director  
(Since inception to present)

**Atty. Amor M. Datinguino**  
Secretary  
(December 4, 2000 to present)

**Esther C. Tan**  
Director/Chairperson  
(Since inception to present)

**Jose R. Perez**  
Independent Director  
(Since inception to present)

**Atty. Oscar M. Orbos**  
Independent Director  
(Since inception to present)

**Henry Joseph M. Herrera**  
Director/President  
(April 30, 2003 to present)

**Jose M. Faustino**  
Independent Director  
(Since inception to present)

**Atty. Amor M. Datinguino**  
Secretary  
(December 4, 2000 to present)

**Caesar P. Altarejos, Jr.**  
Treasurer  
(August 29, 2000 to present)

## prosperity philippine equity fund

**Esther C. Tan**  
Director/Chairperson  
(Since inception to present)

## prosperity dollar advantage fund

**Henry Joseph M. Herrera**  
Director/President  
(April 30, 2003 to present)

**Oscar Reyes**  
Independent Director  
(Since inception to present)

**Dr. Ponciano S. Intal, Jr**  
Independent Director  
(Since inception to present)

**Caesar P. Altarejos, Jr.**  
Treasurer  
(Since inception to present)

**Tony Tan Caktiong**  
Independent Director  
(Since inception to present)

**Atty. Amor M. Datinguino**  
Secretary  
(Since inception to present)

NOTE: Please refer to page 34 for the curriculum vitae of the Directors and Executive Officers of the Sun Life Prosperity Funds.

# STATEMENT OF MANAGEMENT'S RESPONSIBILITY

## FOR FINANCIAL STATEMENTS

Sun Life of Canada Prosperity Bond Fund, Inc.  
Sun Life of Canada Prosperity Balanced Fund, Inc.  
Sun Life of Canada Prosperity Philippine Equity Fund, Inc.  
Sun Life Prosperity Dollar Advantage Fund, Inc.

The management of the Sun Life Prosperity Funds is responsible for all information and representations contained in the financial statements for the year ended December 31, 2003. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

C. L. Manabat & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the companies in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.



**ESTHER C. TAN**  
Chairperson



**CAESAR P. ALTAREJOS, JR.**  
Treasurer



# REPORT OF INDEPENDENT AUDITORS

**C.L. Manabat  
& Co.**

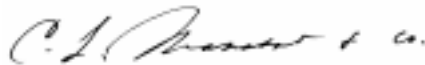
## **The Board of Directors and Stockholders**

SUN LIFE OF CANADA PROSPERITY BOND FUND, INC.  
SUN LIFE OF CANADA PROSPERITY BALANCED FUND, INC.  
SUN LIFE OF CANADA PROSPERITY PHILIPPINE EQUITY FUND, INC.  
SUN LIFE PROSPERITY DOLLAR ADVANTAGE FUND, INC.  
10<sup>th</sup> Floor, Tower II, The Enterprise Center  
6766 Ayala Avenue, Makati City

We have audited the accompanying statement of assets and liabilities of the Sun Life Prosperity Funds as of December 31, 2003, and the related statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Companies' management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Sun Life Prosperity Funds as of December 31, 2002 and for prior years were audited by other auditors whose report, dated January 14, 2003, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards in the Philippines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sun Life Prosperity Funds as of December 31, 2003, and the results of their operations, changes in net assets and cash flows for the year then ended in accordance with generally accepted accounting principles in the Philippines.



PTR No. 7636994  
January 17, 2003  
Makati City

Makati City, Philippines  
Sun Life of Canada Prosperity Bond Fund, Inc.  
Sun Life of Canada Prosperity Balanced Fund, Inc.  
Sun Life of Canada Prosperity Philippine Equity Fund, Inc.  
Sun Life Prosperity Dollar Advantage Fund, Inc.

March 2, 2004  
March 1, 2004  
March 5, 2004  
March 5, 2004

**Deloitte.**

# FINANCIAL STATEMENTS

## statement of assets and liabilities

(With comparative figures for 2002)

	BOND FUND December 31 Philippine Peso		BALANCED FUND December 31 Philippine Peso		PHIL. EQUITY FUND December 31 Philippine Peso	
	2003	2002	2003	2002	2003	2002
<b>ASSETS</b>						
Cash	27,712,048	8,637,622	1,059,849	593,711	779,215	611,308
Investments in:						
Fixed income securities (Note 3)	4,307,092,595	2,848,594,608	70,938,294	36,716,029	44,740,569	31,322,038
Listed securities (Note 4)	-	-	49,024,918	36,410,188	98,475,442	81,011,414
Accrued interest receivable	79,099,920	56,409,231	1,686,289	1,299,342	1,282,016	887,102
Organization costs (Note 5)	-	230,862	-	230,011	-	231,077
	<b>4,413,904,563</b>	<b>2,913,872,323</b>	<b>122,709,350</b>	<b>75,249,281</b>	<b>145,277,242</b>	<b>114,062,939</b>
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	5,172,111	6,435,521	150,303	324,744	2,274,674	101,005
Payable to fund manager (Note 6)	8,464,009	5,508,970	225,109	178,002	246,906	239,527
	<b>13,636,120</b>	<b>11,944,491</b>	<b>375,412</b>	<b>502,746</b>	<b>2,521,580</b>	<b>340,532</b>
<b>NET ASSETS (Note 7)</b>	<b>4,400,268,443</b>	<b>2,901,927,832</b>	<b>122,333,938</b>	<b>74,746,535</b>	<b>142,755,662</b>	<b>113,722,407</b>

See Accompanying Notes to Financial Statements.

**DOLLAR ADVANTAGE FUND**

December 31

2003

2002

	Phil. Peso	U.S. Dollar	Phil. Peso	U.S. Dollar
<b>ASSETS</b>				
Cash	8,784,586	158,093	2,240,538	42,250
Investments in:				
Fixed income securities (Note 3)	289,920,144	5,219,084	69,455,593	1,309,742
Listed securities (Note 4)	-	-	-	-
Accrued interest receivable	8,297,725	149,374	1,956,839	36,901
Organization costs (Note 5)	-	-	480,620	9,254
	<b>307,002,455</b>	<b>5,526,551</b>	<b>74,133,590</b>	<b>1,398,147</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	1,521,127	27,342	535,109	10,148
Payable to fund manager (Note 6)	401,907	7,235	144,404	2,723
	<b>1,923,034</b>	<b>34,577</b>	<b>679,513</b>	<b>12,871</b>
<b>NET ASSETS (Note 7)</b>	<b>305,079,421</b>	<b>5,491,974</b>	<b>73,454,077</b>	<b>1,385,276</b>

# FINANCIAL STATEMENTS

## statement of operations

(With comparative figures for 2002)

	BOND FUND For the Year Ended December 31 Philippine Peso		BALANCED FUND For the Year Ended December 31 Philippine Peso		PHIL. EQUITY FUND For the Year Ended December 31 Philippine Peso	
	2003	2002	2003	2002	2003	2002
<b>INVESTMENT INCOME</b>						
Interest	419,971,260	244,381,557	6,444,340	5,739,230	4,965,455	3,692,860
Net realized gain (loss) on sale of investments in listed securities (Note 4)	-	-	(913,624)	(323,865)	(4,840,085)	827,356
Dividends	-	-	1,081,832	785,796	2,368,914	1,686,469
Others	4,213	93,750	-	601,400	-	-
	<b>419,975,473</b>	<b>244,475,307</b>	<b>6,612,548</b>	<b>6,802,561</b>	<b>2,494,284</b>	<b>6,206,685</b>
<b>EXPENSES</b>						
Management fees (Note 6)	53,788,390	31,820,943	2,117,483	1,879,029	3,040,015	3,005,112
Taxes and licenses	29,419,096	15,309,990	310,783	175,641	859,277	432,258
Amortization of organization costs (Note 5)	230,862	101,095	230,011	101,374	231,077	100,817
Custodian and transfer agent fees (Note 6)	469,387	291,706	88,169	148,714	151,072	143,683
Directors fees	140,000	85,000	160,000	90,000	200,000	90,000
Printing and supplies	2,820	122,100	90,568	109,559	101,564	99,614
Others	168,448	263,360	62,446	34,916	58,182	54,794
	<b>84,219,003</b>	<b>47,994,194</b>	<b>3,059,460</b>	<b>2,539,233</b>	<b>4,641,187</b>	<b>3,926,278</b>
<b>Investment Income (Loss) Before Tax</b>	335,756,470	196,481,113	3,553,088	4,263,328	(2,146,903)	2,280,407
<b>Income Tax Expense</b> (Note 9)	75,029,712	45,999,656	847,084	689,196	989,981	733,825
<b>NET INVESTMENT INCOME (LOSS)</b>	<b>260,726,758</b>	<b>150,481,457</b>	<b>2,706,004</b>	<b>3,574,132</b>	<b>(3,136,884)</b>	<b>1,546,582</b>
<b>EARNINGS PER SHARE</b>	<b>0.0931</b>	<b>0.0666</b>	<b>0.0247</b>	<b>0.0406</b>	<b>(0.0207)</b>	<b>0.0092</b>
<b>Changes in Unrealized Appreciation (Depreciation) of Investments</b>						
Balance, end	-	-	(954,555)	(24,330,618)	702,496	(46,795,401)
Less: Balance, beginning	-	-	(24,330,618)	(8,926,721)	(46,795,401)	(20,864,481)
<b>Unrealized Appreciation (Depreciation) of Investments</b>	<b>-</b>	<b>-</b>	<b>23,376,063</b>	<b>(15,403,897)</b>	<b>47,497,897</b>	<b>(25,930,920)</b>

See Accompanying Notes to Financial Statements.

**DOLLAR ADVANTAGE FUND**

For the Period Ended December 31

(Twelve Months)  
2003

(Six Months)  
2002

	Phil. Peso	U.S. Dollar	Phil. Peso	U.S. Dollar
<b>INVESTMENT INCOME</b>				
Interest	12,134,892	221,993	2,473,430	47,344
Net realized gain (loss) on sale of investments in listed securities (Note 4)	-	-	-	-
Dividends	-	-	-	-
Others	275,930	5,006	(44,326)	(892)
	<b>12,410,822</b>	<b>226,999</b>	<b>2,429,104</b>	<b>46,452</b>
<b>EXPENSES</b>				
Management fees (Note 6)	3,190,407	58,428	536,317	10,231
Taxes and licenses	30,137	543	5,976	82
Amortization of organization costs (Note 5)	480,620	9,254	53,403	1,024
Custodian and transfer agent fees (Note 6)	213,189	3,953	92,782	1,757
Directors fees	192,000	3,456	40,000	800
Printing and supplies	-	-	-	-
Others	67,628	1,307	3,061	56
	<b>4,173,981</b>	<b>76,941</b>	<b>731,539</b>	<b>13,950</b>
<b>Investment Income (Loss) Before Tax</b>	<b>8,236,841</b>	<b>150,058</b>	<b>1,697,565</b>	<b>32,502</b>
<b>Income Tax Expense</b> (Note 9)	<b>2,428,261</b>	<b>44,351</b>	<b>468,578</b>	<b>8,883</b>
<b>NET INVESTMENT INCOME (LOSS)</b>	<b>5,808,580</b>	<b>105,707</b>	<b>1,228,987</b>	<b>23,619</b>
<b>EARNINGS PER SHARE</b>	<b>3.1160</b>	<b>0.0570</b>	<b>1.8100</b>	<b>0.0350</b>
<b>Changes in Unrealized Appreciation (Depreciation) of Investments</b>				
Balance, end	-	-	-	-
Less: Balance, beginning	-	-	-	-
<b>Unrealized Appreciation (Depreciation) of Investments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# FINANCIAL STATEMENTS

## statement of changes in net assets

(With comparative figures for 2002)

	BOND FUND For the Year Ended December 31 Philippine Peso		BALANCED FUND For the Year Ended December 31 Philippine Peso		PHIL. EQUITY FUND For the Year Ended December 31 Philippine Peso	
	2003	2002	2003	2002	2003	2002
<b>FROM OPERATIONS</b>						
Net investment income (loss)	260,726,758	150,481,457	2,706,004	3,574,132	(3,136,884)	1,546,582
Unrealized appreciation (depreciation) of investments	-	-	23,376,063	(15,403,897)	47,497,897	(25,930,920)
Net increase (decrease) in net assets from operations	260,726,758	150,481,457	26,082,067	(11,829,765)	44,361,013	(24,384,338)
<b>FROM CAPITAL STOCK TRANSACTIONS</b>						
Proceeds from issuance of capital stock	1,966,357,005	2,003,161,184	30,426,341	16,997,427	72,363,226	41,097,777
Payments made on redemption of capital stock	(1,228,258,310)	(130,327,425)	(8,921,005)	(10,473,862)	(87,690,984)	(34,616,414)
Deposit for future stock subscription	499,515,158	-	-	-	-	-
Net increase (decrease) in net assets from capital stock transactions	1,237,613,853	1,872,833,759	21,505,336	6,523,565	(15,327,758)	6,481,363
Unrealized Appreciation (Depreciation) of Bonds	-	-	-	-	-	-
Foreign Currency Translation Adjustment (Note 7)	-	-	-	-	-	-
<b>Net Increase (Decrease) in Net Assets</b>	<b>1,498,340,611</b>	<b>2,023,315,216</b>	<b>47,587,403</b>	<b>(5,306,200)</b>	<b>29,033,255</b>	<b>(17,902,975)</b>
<b>Net Assets, Beginning</b>	<b>2,901,927,832</b>	<b>878,612,616</b>	<b>74,746,535</b>	<b>80,052,735</b>	<b>113,722,407</b>	<b>131,625,382</b>
<b>NET ASSETS, END (NOTE 7)</b>	<b>4,400,268,443</b>	<b>2,901,927,832</b>	<b>122,333,938</b>	<b>74,746,535</b>	<b>142,755,662</b>	<b>113,722,407</b>

See Accompanying Notes to Financial Statements.

**DOLLAR ADVANTAGE FUND**

For the Period Ended December 31

(Twelve Months)  
2003

(Six Months)  
2002

	Phil. Peso	U.S. Dollar	Phil. Peso	U.S. Dollar
<b>FROM OPERATIONS</b>				
Net investment income (loss)	5,808,580	105,707	1,228,987	23,619
Unrealized appreciation (depreciation) of investments	-	-	-	-
Net increase (decrease) in net assets from operations	5,808,580	105,707	1,228,987	23,619
<b>FROM CAPITAL STOCK TRANSACTIONS</b>				
Proceeds from issuance of capital stock	180,329,217	3,245,140	70,077,437	1,362,593
Payments made on redemption of capital stock	(44,764,682)	(670,084)	(106,769)	(2,001)
Deposit for future stock subscription	85,600,656	1,540,966	-	-
Net increase (decrease) in net assets from capital stock transactions	221,165,191	4,116,022	69,970,668	1,360,592
Unrealized Appreciation (Depreciation) of Bonds	(6,396,502)	(115,031)	44,799	1,065
Foreign Currency Translation Adjustment (Note 7)	11,048,075	-	2,209,623	-
<b>Net Increase (Decrease) in Net Assets</b>	<b>231,625,344</b>	<b>4,106,698</b>	<b>73,454,077</b>	<b>1,385,276</b>
<b>Net Assets, Beginning</b>	<b>73,454,077</b>	<b>1,385,276</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS, END (NOTE 7)</b>	<b>305,079,421</b>	<b>5,491,974</b>	<b>73,454,077</b>	<b>1,385,276</b>

# FINANCIAL STATEMENTS

## statement of cash flows

(With comparative figures for 2002)

	BOND FUND For the Year Ended December 31 Philippine Peso		BALANCED FUND For the Year Ended December 31 PhilippinePeso		PHILIPPINE EQUITY FUND For the Year Ended December 31 Philippine Peso	
	2003	2002	2003	2002	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Investment income (loss) before tax	335,756,470	196,481,113	3,553,088	4,263,328	(2,146,903)	2,280,407
Adjustments for:						
Amortization of organization costs	230,862	101,095	230,011	101,374	231,077	100,817
Net realized loss (gain) on sale of investments in listed securities	-	-	913,624	323,865	4,840,085	(827,356)
Operating income before working capital changes	335,987,332	196,582,208	4,696,723	4,688,567	2,924,259	1,553,868
Net disposals (purchases) of:						
Listed securities	-	-	9,847,708	(22,909,517)	25,193,784	(20,980,488)
Fixed income securities	(1,458,497,987)	(1,990,270,045)	(34,222,265)	12,209,446	(13,418,531)	13,972,277
Decrease (Increase) in:						
Accrued interest receivable	(22,690,689)	(42,245,493)	(386,947)	278,520	(394,914)	11,443
Organization costs	-	-	-	-	-	-
Increase (Decrease) in:						
Accounts payable and accrued expenses	(1,263,410)	5,472,593	(174,441)	258,652	2,173,669	(32,003)
Payable to fund manager	2,955,039	5,008,812	47,108	42,370	7,379	(16,900)
Cash from (used) in operations	(1,143,509,715)	(1,825,451,925)	(20,192,114)	(5,431,962)	16,485,646	(5,491,803)
Income taxes paid	(75,029,712)	(45,999,656)	(847,084)	(689,196)	(989,981)	(733,825)
Net cash from (used in) operating activities	(1,218,539,427)	(1,871,451,581)	(21,039,198)	(6,121,158)	15,495,665	(6,225,628)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds from issuance of capital stock	1,966,357,005	2,003,161,184	30,426,341	16,997,427	72,363,226	41,097,777
Payments made on redemption of capital stock	(1,228,258,310)	(130,327,425)	(8,921,005)	(10,473,862)	(87,690,984)	(34,616,414)
Proceeds from deposit for future stock subscription	499,515,158	-	-	-	-	-
Net cash from (used in) financing activities	1,237,613,853	1,872,833,759	21,505,336	6,523,565	(15,327,758)	6,481,363
Effect of Foreign Currency Translation Adjustment	-	-	-	-	-	-
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>19,074,426</b>	<b>1,382,178</b>	<b>466,138</b>	<b>402,407</b>	<b>167,907</b>	<b>255,735</b>
<b>Cash, Beginning</b>	<b>8,637,622</b>	<b>7,255,444</b>	<b>593,711</b>	<b>191,304</b>	<b>611,308</b>	<b>355,573</b>
<b>Cash, End</b>	<b>27,712,048</b>	<b>8,637,622</b>	<b>1,059,849</b>	<b>593,711</b>	<b>779,215</b>	<b>611,308</b>

See Accompanying Notes to Financial Statements.



**DOLLAR ADVANTAGE FUND**  
For the Period Ended December 31

(Twelve Months)  
2003

(Six Months)  
2002

	Phil. Peso	U.S. Dollar	Phil. Peso	U.S. Dollar
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Investment income (loss) before tax	8,236,841	150,058	1,697,565	32,502
Adjustments for:				
Amortization of organization costs	480,620	9,254	53,403	1,024
Net realized loss (gain) on sale of investments in listed securities	-	-	-	-
Operating income before working capital changes	8,717,461	159,312	1,750,968	33,526
Net disposals (purchases) of:				
Listed securities	-	-	-	-
Fixed income securities	(226,861,053)	(4,024,373)	(69,410,794)	(1,308,677)
Decrease (Increase) in:				
Accrued interest receivable	(6,340,886)	(112,473)	(1,956,839)	(36,901)
Organization Costs	-	-	(534,023)	(10,278)
Increase (Decrease) in:				
Accounts payable and accrued expenses	986,018	17,194	535,109	10,148
Payable to fund manager	257,503	4,512	144,404	2,723
Cash from (used) in operations	(223,240,957)	(3,955,828)	(69,471,175)	(1,309,459)
Income taxes paid	(2,428,261)	(44,351)	(468,578)	(8,883)
Net cash from (used in) operating activities	(225,669,218)	(4,000,179)	(69,939,753)	(1,318,342)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of capital stock	180,329,217	3,245,140	70,077,437	1,362,593
Payments made on redemption of capital stock	(44,764,682)	(670,084)	(106,769)	(2,001)
Proceeds from deposit for future stock subscription	85,600,656	1,540,966	-	-
Net cash from (used in) financing activities	221,165,191	4,116,022	69,970,668	1,360,592
Effect of Foreign Currency Translation Adjustment	11,048,075	-	2,209,623	-
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>6,544,048</b>	<b>115,843</b>	<b>2,240,538</b>	<b>42,250</b>
<b>Cash, Beginning</b>	<b>2,240,538</b>	<b>42,250</b>	<b>-</b>	<b>-</b>
<b>Cash, End</b>	<b>8,784,586</b>	<b>158,093</b>	<b>2,240,538</b>	<b>42,250</b>

# NOTES TO FINANCIAL STATEMENTS

## 1

### ORGANIZATION AND STATUS OF OPERATIONS

The Sun Life Prosperity Funds are registered as open-end investment companies under the Investment Company Act (R.A. No. 2629) and the Securities Regulation Code (R.A. No. 8799), formerly known as the Revised Securities Act (B.P. No. 178). As open-end investment companies, the outstanding shares of stock are redeemable anytime based on the net asset value (NAV) per share at the time of redemption. The Companies' registered office address is at 10<sup>th</sup> Floor, Tower II, The Enterprise Center, 6766 Ayala Avenue, Makati City.

#### PROSPERITY BOND FUND

Sun Life of Canada Prosperity Bond Fund, Inc. is engaged in the sale of its shares of stock and investment of the proceeds in fixed income securities. The Company is designed to provide long-term interest income and principal preservation.

#### PROSPERITY BALANCED FUND

Sun Life of Canada Prosperity Balanced Fund, Inc. is engaged in the sale of its shares of stock, the proceeds of which are invested in a mix of high-quality debt and equity securities. The Company is designed to provide total returns consisting of current income and capital growth through the investment in a diversified portfolio of debts (bonds) and equity (stocks) securities from both domestic and foreign issuers.

#### PROSPERITY PHILIPPINE EQUITY FUND

Sun Life of Canada Prosperity Philippine Equity Fund, Inc. is engaged in the sale of its shares of stock, the proceeds of which are invested mainly in listed equities of Philippine entities. The Company is designed to generate long-term capital appreciation through investment in high-quality equity securities across sectors and issue sizes to provide moderate portfolio volatility.

#### PROSPERITY DOLLAR ADVANTAGE FUND

Sun Life Prosperity Dollar Advantage Fund, Inc. is engaged in the sale of its shares of stock, the proceeds of which are invested in foreign exchange denominated fixed-income investments issued by Philippine, United States and other foreign governments and corporations, common stocks and related securities such as preferred stocks, convertible securities, depository receipts, issued by Philippine and foreign corporations and US dollar-denominated deposits.

Sun Life Asset Management Company, Inc. (SLAMC), a wholly owned subsidiary of Sun Life of Canada (Philippines), Inc., acts as the Companies' fund manager. SLAMC serves as the manager, adviser, administrator, distributor and transfer agent of the Companies and provides management, distribution and all required operational services. The aggregate annual fees of SLAMC for these services are as follows:

Sun Life of Canada Prosperity Bond Fund, Inc.	1.5% of the daily average net assets managed
Sun Life of Canada Prosperity Balanced Fund, Inc.	2.0% of the daily average net assets managed
Sun Life of Canada Prosperity Philippine Equity Fund, Inc.	2.0% of the daily average net assets managed
Sun Life Prosperity Dollar Advantage Fund, Inc.	1.5% of the daily average net assets managed

Sun Life of Canada Prosperity Bond Fund, Inc., Sun Life of Canada Prosperity Balanced Fund, Inc., and Sun Life of Canada Prosperity Philippine Equity Fund, Inc. simultaneously started commercial operations on May 1, 2000. Sun Life Prosperity Dollar Advantage Fund, Inc. commenced operation on July 1, 2002.

## 2

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF PRESENTATION

The financial statements have been prepared on the historical cost basis and in accordance with the applicable Statements of Financial Accounting Standards/International Accounting Standards (SFAS/IAS) issued by the Accounting Standards Council of the Philippines.

#### ADOPTION OF NEW ACCOUNTING STANDARDS

The Companies adopted the following SFAS/IAS, which became effective on January 1, 2003:

a.	SFAS 10/IAS 10	Events After the Balance Sheet Date
b.	SFAS 37/IAS 37	Provisions, Contingent Liabilities and Contingent Assets
c.	SFAS 38/IAS 38	Intangible Assets

These new standards prescribe new accounting measurement and disclosure practices applicable to the Company. The major effects of these new standards on the Company's accounting policies and on the amounts disclosed in the financial statements are summarized as follows:

**SFAS 10/IAS 10, "Events After the Balance Sheet Date"** establishes the criteria for events that occur between the balance sheet date and the date that the financial statements are authorized for issue. The standard requires that the Company update disclosures that relate to conditions that existed at the balance sheet date in the light of any new information on those conditions that are received after such date. The adoption of this standard resulted principally in additional disclosures.

**SFAS 37/IAS 37, "Provisions, Contingent Liabilities and Contingent Assets"**, provides the criteria for the recognition and bases for measurement of provisions, contingent liabilities and contingent assets. It also specifies the disclosures that should be included in the financial statements with respect to these items. The Company believes that the effect of adoption of this standard is not material.

**SFAS 38/IAS 38, "Intangible Assets"**, establishes the criteria for the recognition and measurement of intangible assets such as goodwill. Intangible assets should be amortized over the best estimate of their useful life with a rebuttable presumption that the useful life is 20 years or less. In addition, this standard also requires that expenditures on research, start-up, training, advertising and relocation should be expensed as incurred.

Retrospective application of this standard under the allowed alternative treatment had been made with respect to the Companies' treatment of its organization costs and other expenses incurred prior to the Companies' operations, where the remaining balance of its organization costs was eliminated from its statement of assets and liabilities, and the amount of the adjustment was recognized in the net investment income for the year. (see Note 5)

### REVENUE RECOGNITION

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of revenue can be measured reliably.

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest revenue, wherever applicable, includes the amortization of premium or accretion of discounts or other difference between the carrying amount of the debt security and its amount at maturity.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

### INCOME TAXES

Deferred income tax for the Philippine Peso-denominated funds is provided using the liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to difference between the financial reporting bases of assets and liabilities and their related tax bases and net operating loss carryover (NOLCO). Deferred income tax assets and liabilities are measured using the statutory income tax rate of 32%. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

### ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the financial statements and notes are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

### RELATED PARTIES

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Individuals, associates or companies that directly or indirectly control or are controlled by or are under common control with the Company are also considered related parties.

### VALUATION OF SECURITIES

For purposes of obtaining net asset value, investments in listed securities which are classified as available-for-sale securities, are valued using the latest closing price at the end of year for securities with trading transactions at the stock exchange.

The difference between the aggregate cost of investments in listed securities at year-end and the carrying value as defined in the preceding paragraph, is presented as Unrealized Appreciation (Depreciation) of Investments shown in the Statement of Changes in Net Assets. The difference between the selling price and the cost of investments sold, which is computed based on the average cost of all the shares of each security held at the time of sale, is shown as Net Realized Gain (Loss) on Sale of Investments in listed securities shown in the Statement of Operations.

### INVESTMENTS IN PHILIPPINE PESO-DENOMINATED FIXED INCOME SECURITIES

Investments in commercial papers and government securities are carried at cost, adjusted for the amortization of premiums or accretion of discounts on the acquisition of the securities. Interest income on these investments is recognized on a time proportion basis that takes into account the effective yield on the assets.

### INVESTMENTS IN PHILIPPINE-ISSUED US DOLLAR-DENOMINATED FIXED-INCOME SECURITIES

Investments in Philippine-issued US dollar-denominated fixed-income securities are valued using the average of the values from two major trading desks as separately obtained from Bloomberg at three in the afternoon every trading day, in the following order of application:

Done average cash price for the security; price of last transaction for the day; available last bid price; should the bid from one of the trading desks not be available, the Company will utilize the available value obtained from the other trading desk; or lacking both bids, the previous day's value used in computing the net asset value per share.

#### **NET ASSET VALUE (NAV) PER SHARE**

NAV per share is computed by dividing net assets (total assets less total liabilities and current value of deposits for future stock subscription, if any) by the total number of shares issued and outstanding at report date.

#### **EARNINGS PER SHARE (EPS)**

Earnings per share have been calculated by dividing investment income after taxation (Net Investment Income) for each period, by the outstanding number of shares issued.

#### **SALES AND REDEMPTIONS OF SHARES OF STOCK**

Sales of fund shares are recorded by crediting Capital Stock at par value and Additional Paid-in Capital for the amount received in excess of the par value. Redemptions of fund shares are recorded by debiting those accounts.

#### **FOREIGN CURRENCY TRANSACTIONS OF SUN LIFE PROSPERITY DOLLAR ADVANTAGE FUND, INC.**

Sun Life Prosperity Dollar Advantage Fund, Inc.'s accounting records are maintained in U.S. dollars and in Philippine pesos. Transactions denominated in U.S. dollars are translated to Philippine pesos using the current exchange rate as of the date they are reported.

- a. Assets and liabilities reported in the Statements of Assets and Liabilities are translated at the exchange rate as of the date following the last transaction date for the year.
- b. Revenue, expenses, gains and losses reported in the Statements of Operations are translated at the current exchange rates as of the date on which they are recognized.
- c. Capital stock is translated using historical rates.

The foreign currency translation adjustments that result from translating the Company's financial statements from functional currency are not included in the determination of the translated reporting currency Net Investments but are rather accumulated as a separate component of the Company's reporting currency net assets as Foreign Currency Translation Adjustment in the Statement of Changes in Net Assets.

#### **NEW ACCOUNTING STANDARDS EFFECTIVE JANUARY 1, 2004**

SFAS 12/IAS 12, "Income Taxes", prescribes the accounting treatment for income taxes. The standard specifies the recognition and measurement of current taxes, deferred tax assets and deferred tax liabilities.

Any change in accounting policy should be made in accordance with SFAS 13 (Revised 2000), "Net Income or Loss for the Period, Fundamental Errors and Changes in Accounting Policies", whereby the effect of the change be accounted for retroactively and the resulting adjustment reported as an adjustment to the opening balance of retained earnings (benchmark treatment) or be included in the net profit or loss for the current period (allowed alternative treatment).

Although the Companies will adopt the standard in 2004, the standard requires disclosure of the nature of the future change in accounting policy and an estimate of the effect of the change on its net income or loss and financial position.

The future change in accounting policy resulting from the adoption of SFAS 12/IAS 12 would not be material.

For Sun Life Prosperity Dollar Advantage Fund, Inc., SFAS 21/IAS 21, "Effects of Changes in Foreign Exchange Rates", which is effective beginning January 1, 2005, prescribes the accounting treatment for foreign currency transactions and the translation of the financial statements of foreign operations. On the first application of the standard, the enterprise is required to classify separately and disclose the cumulative balance, at the beginning of the period, of exchange differences deferred and classified as equity in previous periods.

### 3

## INVESTMENTS IN FIXED INCOME SECURITIES

	Prosperity Bond Fund Philippine Peso		Prosperity Balanced Fund Philippine Peso		Prosperity Phil. Equity Fund Philippine Peso	
	2003	2002	2003	2002	2003	2002
Treasury notes	3,680,130,442	2,224,629,355	31,193,911	16,396,029	25,143,961	16,782,038
Special savings	313,882,153	303,045,253	26,847,716	6,370,000	19,596,608	14,540,000
Corporate loans	313,080,000	320,920,000	12,896,667	13,950,000	-	-
<b>Total</b>	<b>4,307,092,595</b>	<b>2,848,594,608</b>	<b>70,938,294</b>	<b>36,716,029</b>	<b>44,740,569</b>	<b>31,322,038</b>
<b>Prosperity Dollar Advantage Fund</b>						
	2003		2002			
	Phil. Peso	U.S. Dollar	Phil. Peso	U.S. Dollar		
Treasury notes	285,742,784	5,143,884	66,883,638	1,261,242		
Special savings	4,177,360	75,200	2,571,955	48,500		
Corporate loans	-	-	-	-		
<b>Total</b>	<b>289,920,144</b>	<b>5,219,084</b>	<b>69,455,593</b>	<b>1,309,742</b>		

## 4

## INVESTMENTS IN LISTED SECURITIES

	Prosperity Balanced Fund			Prosperity Philippine Equity Fund		
	Number of shares held	Cost in PhP	Market Value in PhP	Number of shares held	Cost in PhP	Market Value in PhP
<b>Common Stocks:</b>						
Ayala Corp.	629,600	4,292,091	3,273,920	1,887,000	12,941,177	9,812,400
Aboitiz Equity Ventures, Inc.	289,000	565,465	881,450	576,000	1,126,994	1,756,800
Ayala Land, Inc.	298,000	1,563,506	1,817,800	1,051,800	5,327,373	6,415,980
Benpres Holdings Corp.	240,000	1,438,509	115,200	401,000	2,548,200	192,480
Bank of the Phil. Islands	167,700	9,126,956	7,798,050	273,010	13,064,315	12,694,965
Filinvest Land, Inc.	450,000	505,423	459,000	912,500	1,049,048	930,750
First Phil. Holdings Corp.	135,120	3,169,441	2,533,500	259,440	5,369,216	4,864,500
Globe Telecom	4,340	2,524,183	3,732,400	15,722	8,679,121	13,520,920
Ginebra San Miguel, Inc.	9,400	261,500	300,800	49,800	1,373,551	1,593,600
Ionics Circuits, Inc.	275,000	2,017,714	396,000	478,500	3,853,623	689,040
Jollibee Foods Corp.	232,750	3,278,800	4,247,688	352,750	4,578,261	6,437,687
Metropolitan Bank and Trust Co.	31,130	1,390,720	856,075	40,440	1,821,627	1,112,100
Manila Electric Co. "B"	68,820	3,396,764	1,668,885	134,600	7,038,273	3,264,050
Petron Corp.	610,000	1,212,762	1,378,600	898,000	1,877,060	2,029,480
San Miguel Corp. "B"	39,510	1,911,237	2,528,640	92,530	4,436,070	5,921,920
SM Prime Holdings, Inc.	708,000	3,734,960	4,602,000	1,516,000	7,853,860	9,854,000
PLDT Co.	10,390	6,034,420	10,078,300	13,590	8,342,611	13,182,300
Universal Robina Corp.	103,400	563,858	558,360	179,300	1,000,481	968,220
<b>Warrants:</b>						
ABS-CBN, Phils.						
Depository Receipt	71,930	2,991,164	1,798,250	129,370	5,492,085	3,234,250
	<b>4,374,090</b>	<b>P 49,979,473</b>	<b>P 49,024,918</b>	<b>9,261,352</b>	<b>P 97,772,946</b>	<b>P 98,475,442</b>
<b>Total Market Value of the Above Investments as of March 2004</b>			<b>P 51,102,093</b>			<b>P 101,616,078</b>

Net realized loss on sale of investments in listed securities consists of:

	Prosperity Balanced Fund		Prosperity Phil. Equity Fund	
	2003	2002	2003	2002
Proceeds from sales	14,532,938	8,870,259	33,638,163	12,383,614
Cost of listed securities sold	(15,446,562)	(9,194,124)	(38,478,248)	(11,556,258)
	<b>(913,624)</b>	<b>(323,865)</b>	<b>(4,840,085)</b>	<b>827,356</b>

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## 5

### ORGANIZATION COSTS

Adjustments have been made in the statement of operations representing the effect of the adoption of SFAS 38, Intangible Assets, with respect to the treatment of organization costs. Organization costs previously capitalized and amortized on a straight-line basis over a period of five (5) years, no longer meet the definition of, or recognition criteria for, an intangible asset. The remaining balances as of the beginning of the year, as stated below, were fully recognized as expense for the year ended December 31, 2003.

Sun Life of Canada Prosperity Bond Fund, Inc.	P 230,862
Sun Life of Canada Prosperity Balanced Fund, Inc.	P 230,011
Sun Life of Canada Prosperity Philippine Equity Fund, Inc.	P 231,077
Sun Life Prosperity Dollar Advantage Fund, Inc.	P 480,620

## 6

### RELATED PARTY TRANSACTIONS

Transactions with related parties include the following:

- a) Payable to Fund Manager  
This account represents the liability to SLAMC arising from management and service fees as described in Note 1.

On October 10, 2001, Sun Life of Canada Prosperity Bond Fund, Inc. entered into an agreement with SLAMC, wherein SLAMC has agreed to reduce its management fee or absorb the Company's expenses above a specified limit. Any reductions or absorptions made to the Company by SLAMC are subject to recovery, provided the Company is able to effect such reimbursement and remain in compliance with the applicable expense limitations.

A similar arrangement with SLAMC was made by Sun Life Prosperity Dollar Advantage Fund, Inc. on June 10, 2002.

Total fees paid and payable to SLAMC as of and for the year ended December 31, 2003 and 2002, included in the Statement of Operations under "Management fees" and "Custodian and transfer agent fees" accounts, are as follows:

	2003	2002
Sun Life of Canada Prosperity Bond Fund, Inc.	P 53,864,557	P 31,893,089
Sun Life of Canada Prosperity Balanced Fund, Inc.	P 2,178,183	P 1,939,895
Sun Life of Canada Prosperity Philippine Equity Fund, Inc.	P 3,101,582	P 3,066,836
Sun Life Prosperity Dollar Advantage Fund, Inc.	P 3,298,853	P 597,450

- b) As of December 31, 2003, Sun Life of Canada Philippines, Inc. (SLOCPI) and Sun Life Financial Plans, Inc. (SLFPI) have invested in the Companies the following number of shares:

	Shares Invested by SLOCPI	Shares Invested by SLFPI
Sun Life of Canada Prosperity Bond Fund, Inc.	49,999,397	85,562,808
Sun Life of Canada Prosperity Balanced Fund, Inc.	49,999,397	-
Sun Life of Canada Prosperity Philippine Equity Fund, Inc.	49,999,397	-
Sun Life Prosperity Dollar Advantage Fund, Inc.	499,397	-



## 7

## NET ASSETS

	Prosperity Bond Fund Philippine Peso		Prosperity Balanced Fund Philippine Peso		Prosperity Phil. Equity Fund Philippine Peso	
	2003	2002	2003	2002	2003	2002
Capital stock, P1 par value, issued and outstanding	2,799,207,449	2,257,823,222	109,620,550	88,086,674	151,362,344	168,628,181
Additional paid in capital	635,623,563	438,909,095	245,852	274,392	(10,645,099)	(12,583,178)
Deposit for future stock subscription	499,515,158	-	-	-	-	-
Retained earnings (Note 8)	465,922,273	205,195,515	13,422,091	10,716,087	1,335,921	4,472,805
Foreign currency translation adjustment	-	-	-	-	-	-
Unrealized appreciation (depreciation) of investments	-	-	(954,555)	(24,330,618)	702,496	(46,795,401)
	4,400,268,443	2,901,927,832	122,333,938	74,746,535	142,755,662	113,722,407
<b>NAV Per Share</b>	<b>1.3935</b>	<b>1.2853</b>	<b>1.1160</b>	<b>0.8486</b>	<b>0.9431</b>	<b>0.6744</b>
<b>EPS</b>	<b>0.0931</b>	<b>0.0666</b>	<b>0.0247</b>	<b>0.0406</b>	<b>(0.0207)</b>	<b>0.0092</b>

	Prosperity Dollar Advantage Fund			
	2003		2002	
	Philippine Peso	U.S. Dollar	Philippine Peso	U.S. Dollar
Capital stock, P1 par value, issued and outstanding	1,864,178	37,042	678,824	13,334
Additional paid in capital	203,671,025	3,899,671	69,291,844	1,347,258
Deposit for future stock subscription	85,600,656	1,540,966	-	-
Retained earnings (Note 8)	7,037,567	129,326	1,228,987	23,619
Foreign currency translation adjustment	13,257,698	-	2,209,623	-
Unrealized appreciation (depreciation) of investments	(6,351,703)	(115,031)	44,799	1,065
	305,079,421	5,491,974	73,454,077	1,385,276
<b>NAV Per Share</b>	<b>117.7349</b>	<b>2.1194</b>	<b>108.2078</b>	<b>2.0407</b>
<b>EPS</b>	<b>3.1160</b>	<b>0.0570</b>	<b>1.8100</b>	<b>0.0350</b>

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On October 29, 2003, the Board of Directors of the following Companies approved the increase in authorized capital stock:

	From	To
Sun Life of Canada Prosperity Bond Fund, Inc.	2,800,000,000 shares	3,800,000,000 shares
Sun Life Prosperity Dollar Advantage Fund, Inc.	2,000,000 shares	4,200,000 shares

As of December 31, 2003, subscriptions to the increase in authorized capital stock were recorded as Deposit for Future Stock Subscription pending approval of the SEC.

## 8

### RETAINED EARNINGS

	Prosperity Bond Fund Philippine Peso		Prosperity Balanced Fund Philippine Peso		Prosperity Phil. Equity Fund Philippine Peso	
	2003	2002	2003	2002	2003	2002
Retained earnings, beginning	205,195,515	54,714,058	10,716,087	7,141,955	4,472,805	2,926,223
Net investment income	260,726,758	150,481,457	2,706,004	3,574,132	(3,136,884)	1,546,582
	<b>465,922,273</b>	<b>205,195,515</b>	<b>13,422,091</b>	<b>10,716,087</b>	<b>1,335,921</b>	<b>4,472,805</b>

	Prosperity Dollar Advantage Fund			
	2003		2002	
	Philippine Peso	U.S. Dollar	Philippine Peso	U.S. Dollar
Retained earnings, beginning	1,228,987	23,619	-	-
Net investment income	5,808,580	105,707	1,228,987	23,619
	<b>7,037,567</b>	<b>129,326</b>	<b>1,228,987</b>	<b>23,619</b>

## 9

**INCOME TAXES**

The current income tax expense of Sun Life of Canada Prosperity Bond Fund, Inc., Sun Life of Canada Prosperity Balanced Fund, Inc. and Sun Life of Canada Prosperity Philippine Equity Fund, Inc. consist of the final tax on interest income. As mentioned in Note 2, a full valuation is provided where a tax benefit is not likely to be realized in the future since the Companies' income are already subjected to final tax.

On the other hand, Sun Life Prosperity Dollar Advantage Fund, Inc.'s provision for tax represents normal income tax.

Applicable net deferred income tax assets are attributable to the following:

	Prosperity Bond Fund Philippine Peso		Prosperity Balanced Fund Philippine Peso		Prosperity Phil. Equity Fund Philippine Peso	
	2003	2002	2003	2002	2003	2002
NOLCO						
Less:						
Valuation Allowance	18,579,048	7,079,127	1,259,871	1,575,922	4,697,565	3,898,937
	18,579,048	7,079,127	1,259,871	1,575,922	4,697,565	3,898,937
<b>Net</b>	-	-	-	-	-	-

Details of the Companies' NOLCO are as follows:

Year Incurred	Prosperity Bond Fund Philippine Peso		Prosperity Balanced Fund Philippine Peso		Prosperity Phil. Equity Fund Philippine Peso		Expiry Date
	NOLCO	Tax Effect	NOLCO	Tax Effect	NOLCO	Tax Effect	
2001	1,316,213	421,188	2,890,848	925,071	6,112,423	1,955,975	December 31, 2004
2002	19,518,624	6,245,960	234,226	74,953	3,926,279	1,256,410	December 31, 2005
2003	37,224,687	11,911,900	812,023	259,847	4,641,187	1,485,180	December 31, 2006
	<b>58,059,524</b>	<b>18,579,048</b>	<b>3,937,097</b>	<b>1,259,871</b>	<b>14,679,889</b>	<b>4,697,565</b>	

A reconciliation of statutory income tax rate to effective income tax rate follows:

	Prosperity Bond Fund		Prosperity Balanced Fund		Prosperity Phil. Equity Fund		Prosperity Dollar Advantage Fund	
	2003	2002	2003	2002	2003	2002	2003	2002
Statutory income tax rate	32.00%	32.00%	32.00%	32.00%	(32.00%)	32.00%	32.00%	32.00%
Tax effects of:								
Valuation allowance on deferred income tax	3.43	3.18	(8.90)	1.76	37.20	55.10	-	-
Non-deductible expense	2.21	2.30	8.77	2.52	72.14	-	2.892	0.836
Expired NOLCO	0.12	-	16.21	-	31.98	-	-	-
Tax-paid income	(2.00)	(0.02)	-	(4.51)	(0.16)	(12.00)	(5.412)	(5.233)
Dividend Income	-	-	(9.74)	(5.90)	(35.31)	(23.67)	-	-
Interest income subjected to final tax	(13.41)	(14.05)	(14.50)	(9.70)	(27.74)	(19.25)	-	-
<b>Effective income tax rate</b>	<b>22.35%</b>	<b>23.41%</b>	<b>23.84%</b>	<b>16.17%</b>	<b>46.11%</b>	<b>32.18%</b>	<b>29.480%</b>	<b>27.603%</b>

## 10

### **EVENT AFTER BALANCE SHEET DATE**

On January 7, 2004, Sun Life of Canada Prosperity Bond Fund, Inc.'s application for the increase in its capital stock from P2,800,000,000 divided into 2,800,000,000 shares, to P3,800,000,000 divided into 3,800,000,000 shares, was approved by the SEC.

## 11

### **APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors and authorized for issue on:

Sun Life of Canada Prosperity Bond Fund, Inc.	March 2, 2004
Sun Life of Canada Prosperity Balanced Fund, Inc.	March 1, 2004
Sun Life of Canada Prosperity Philippine Equity Fund, Inc.	March 5, 2004
Sun Life Prosperity Dollar Advantage Fund, Inc.	March 5, 2004

## CURRICULUM VITAE OF THE DIRECTORS & EXECUTIVES

### **Esther C. Tan** (58)

Mrs. Tan, Filipino, is Chairperson of the 4 Sun Life Prosperity Funds. She is also the Chairperson of the Board and President of Sun Life Asset Management Company, Inc. as well as the President and Chief Executive Officer of Sun Life of Canada (Philippines), Inc. She was appointed in May 1995 as Vice-President for Philippine Operations and in 1997 as Vice-President and General Manager (Philippines) of Sun Life Assurance Company of Canada.

### **Henry Joseph M. Herrera** (44)

Mr. Herrera, Filipino, is President of the 4 Sun Life Prosperity Funds. He also holds post as Director of Sun Life Asset Management Company, Inc., Sun Life Financial Plans, Inc., and Sun Life of Canada (Philippines), Inc., where in the last he likewise acts as Executive Vice-President and Actuary. Prior to these roles, he was the AVP, Actuarial of Sun Life Assurance of Canada from 1998 - 2000.

### **Caesar P. Altarejos, Jr.** (53)

Mr. Altarejos, Filipino, is the Treasurer of the 4 Sun Life Prosperity Funds. He is also the Director and Treasurer of Sun Life Asset Management Company, Inc. and the Senior Vice-President for Finance, Sun Life of Canada (Philippines), Inc. He has had many years of experience in managerial capacity with both multinational and local companies in all phases of financial management.

### **Amor M. Datinguinoo** (34)

Atty. Datinguinoo, Filipino, is the Corporate Secretary of the 4 Sun Life Prosperity Funds. She is also the Counsel for Sun Life of Canada (Philippines), Inc. She obtained her Bachelor of Science in Economics (Dean's List) from the School of Economics, University of the Philippines, Diliman (1991), and her Bachelor of Laws from the College of Law, University of the Philippines, Diliman (1996). She placed 9th in the 1996 Bar Exams. Before joining Sun Life, she worked as an Associate with the Carpio Villaraza & Cruz Law Offices, and the Sebastian Dado Cruz & Batalla Law Offices.

### **Raoul Antonio E. Littaua** (39)

Mr. Littaua, Filipino, is a Director of Sun Life of Canada Prosperity Bond Fund, Inc. He is also the Senior Vice-President, for Marketing, of Sun Life of Canada (Philippines), Inc. Except for a short stint as Regional Manager, National Capital Region at East Asiatic Co., Ltd in 1993, Mr. Littaua worked his way up to his current position by holding different positions at various times in Sun Life Assurance Company of Canada since 1991. He also worked as Staff Development Assistant, Sales, Marketing and International Business Operations in San Miguel Corporation, Beer Division.

### **Feliciano L. Miranda, Jr.** (74)

Mr. Miranda, Filipino, is an Independent Director of Sun Life of Canada Prosperity Bond Fund, Inc. He is the Chairman of the Board of PNB Forex, Inc., PNB Remittance Center, Inc., Japan-PNB Leasing & Finance Corporation, PNB (Europe) Plc, Bulawan Mining Corporation, PNB Capital Investment Corporation, PNB Remittance Center Ltd., Hongkong, PNB International Finance Corporation (HK). He is also a Director of the PNB, PNB Holdings Corporation, Beneficial-PNB Life Insurance Co., Citra Metro Manila Tollways Corporation, Amtrust Holdings, Inc., and PNB International Investment Corporation.

### **Aleli Angela G. Quirino** (59)

Atty. Quirino, Filipino, is an Independent Director of Sun Life of Canada Prosperity Bond Fund, Inc. She is a senior partner of Abello Concepcion Regala & Cruz Law Offices (ACCRA Law). She heads the Intellectual Property Department, and is also a member of the Corporate and Special Projects Department. She is a member of the Integrated Bar of the Philippines, the Philippine Bar Association, Director and Vice President (AIPPI) of the Intellectual Property Association of the Philippines, Director and Treasurer of the Intellectual Property Foundation, a member of the Asean Law Association, Member and Vice-Chair for Women Business Lawyers of the Inter-Pacific Bar Association, Trademark Committee Member of the Asian Patent Attorneys Association, and Executive Committee Member of the Association Internationale pour la Protection de Propriete Industrielle.

### **Rafael M. Alunan III** (55)

Mr. Alunan, Filipino, is an Independent Director of Sun Life of Canada Prosperity Balanced Fund, Inc. He has had extensive experience in government service as well as in the private sector. He served in the cabinets of Pres. Fidel V. Ramos and Pres. Corazon C. Aquino, as Secretary of Interior and Local Government and Secretary of Tourism, respectively. He has been President of the Manila Hotel, Director of Coca-Cola Amatil (Australia), President of General Reliance Corporation, and consultant on Government Relations for San Miguel Corporation, among others. He is now President of Maynilad Water Services, Inc. and of Kybernan Group, Inc, consultant of Benpres Holdings Corporation, and Director of First Philippine Infrastructure Development Corporation and of Manila North Tollways Corporation.

**Erlinda S. Echanis (56)**

Dr. Echanis, Filipino, is an Independent Director of Sun Life of Canada Prosperity Balanced Fund, Inc. She is a distinguished member of the academe, having taught in the University of the Philippines, and written a score of published and unpublished articles on business management. She is a Certified Public Accountant, professor at the College of Business Administration (CBA), University of the Philippines in Diliman. She is the current dean of the CBA, UP. Her involvement in the private sector includes her being consultant for the Philippine National Oil Company, the Home Development Mutual Fund, Metrobank, Bangko Sentral ng Pilipinas, the Department of Budget and Management, the Board of Investments and the Asian Development Bank, among others.

**Nilo B. Peña (67)**

Atty Peña, Filipino, is an Independent Director of Sun Life of Canada Prosperity Balanced Fund, Inc. He is a Senior Partner at one of the top law firms in the country, the Quasha, Ancheta, Pena, & Nolasco Law Firm. He is a member of the Board of Trustees of St. Luke's Medical Center, Inc.; Chairman, Board of Trustees of Standard Chartered Bank Employees' Retirement Fund; Trustee-Corporate Secretary of the Philippine-Australian Business Council and director or officer of several corporations engaged in various business activities.

**Jose R. Perez (66)**

Mr. Perez, Filipino, is an Independent Director of Sun Life of Canada Prosperity Philippine Equity Fund, Inc. He founded the JP Consultancy & Management, Inc., a consulting company that specializes in financial structuring and packaging of loans. He is also a Director of Maybank, Metro Alliance, and Mabuhay Vinyl. He began his career at Bank of America as Assistant Manager, Credit Officer before he worked at PCI Bank where he was Senior Vice-President in charge of Corporate Banking and Special Projects in 1974, Executive Vice-President in 1976, and a Director from 1979 to 1997. Mr. Perez also became a Director of PCI Capital Corporation, President and Director of PCI Leasing and Finance, Inc., and a Director of Bankard, Inc., PCI Insurance Brokers, Inc., PCI Forex Brokers Corp., PCIB Securities Corporation and the PCI Travel Corporation.

**Jose M. Faustino (65)**

Professor Faustino, Filipino, is an Independent Director of Sun Life of Canada Prosperity Philippine Equity Fund, Inc. He is the Goodyear Professor of Business Management, and the Program Director of AIM's Marketing Strategy Course. He teaches and provides management consultancy in the fields of marketing management, strategic planning and strategy formulation, and organizational behavior in development. In 1991, he received the Agora Award for excellence in Marketing Education, bestowed by the Philippine Marketing Association. His twenty years of work experience as professional manager and entrepreneur were in the areas of marketing, operation, and general management.

**Oscar M. Orbos (53)**

Atty. Orbos, Filipino, is an Independent Director of Sun Life of Canada Prosperity Philippine Equity Fund, Inc. He obtained his Bachelor of Laws and his degree in Economics from the University of the Philippines. He has also earned some units in Masters of Laws also from the same university. He has been elected as Congressman and as Governor of the Province of Pangasinan, and has also served the Philippine Government as the Secretary of the Department of Transportation and Communication, and Executive Secretary. Atty. Orbos, likewise, has been a member of various law firms in his career.

**Oscar Reyes (56)**

Mr. Reyes, Filipino, is an Independent Director of Sun Life Prosperity Dollar Advantage Fund, Inc. He was the chairman and Chief Executive Officer of the Shell Companies in the Philippines and remains a Director of Pilipinas Shell Petroleum, Shell Philippines Exploration B.V., and various other Philippine corporations. Mr. Reyes held various progressively responsible positions with Shell Philippines and the Philippine Petroleum Corporation.

**Tony Tan Caktiong (50)**

Mr. Tan Caktiong, Filipino, is an Independent Director of Sun Life Prosperity Dollar Advantage Fund, Inc. He is the Chairman, President and CEO of Jollibee Foods Corporation. He holds a degree in BS Chemical Engineering from the University of Sto. Tomas and has attended the Owner/President Management (OPM) Program at Harvard University and the Top Management Program at the Asian Institute of Management (AIM).

**Ponciano S. Intal, Jr. (53)**

Dr. Intal, Filipino, is an Independent Director of Sun Life Prosperity Dollar Advantage Fund, Inc. He is a Professor of Economics at the Department of Economics of the College of Business and Economics of the De La Salle University and Executive Director of the Angelo King Institute for Economic and Business Studies, De La Salle University. Dr. Intal holds a PhD in Economics from Yale University, two Master of Arts in Economics Degrees from Yale University and the University of the Philippines, and a Bachelor of Science degree in Business Administration from the Mindanao State University. He held progressively responsible positions in government including Deputy Director-General at the National Economic and Development Authority and as President of the Philippine Institute of Developmental Studies.

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The Sun Life Prosperity Funds are managed and distributed by Sun Life Asset Management Company, Inc., a member of the Sun Life Financial group of companies.