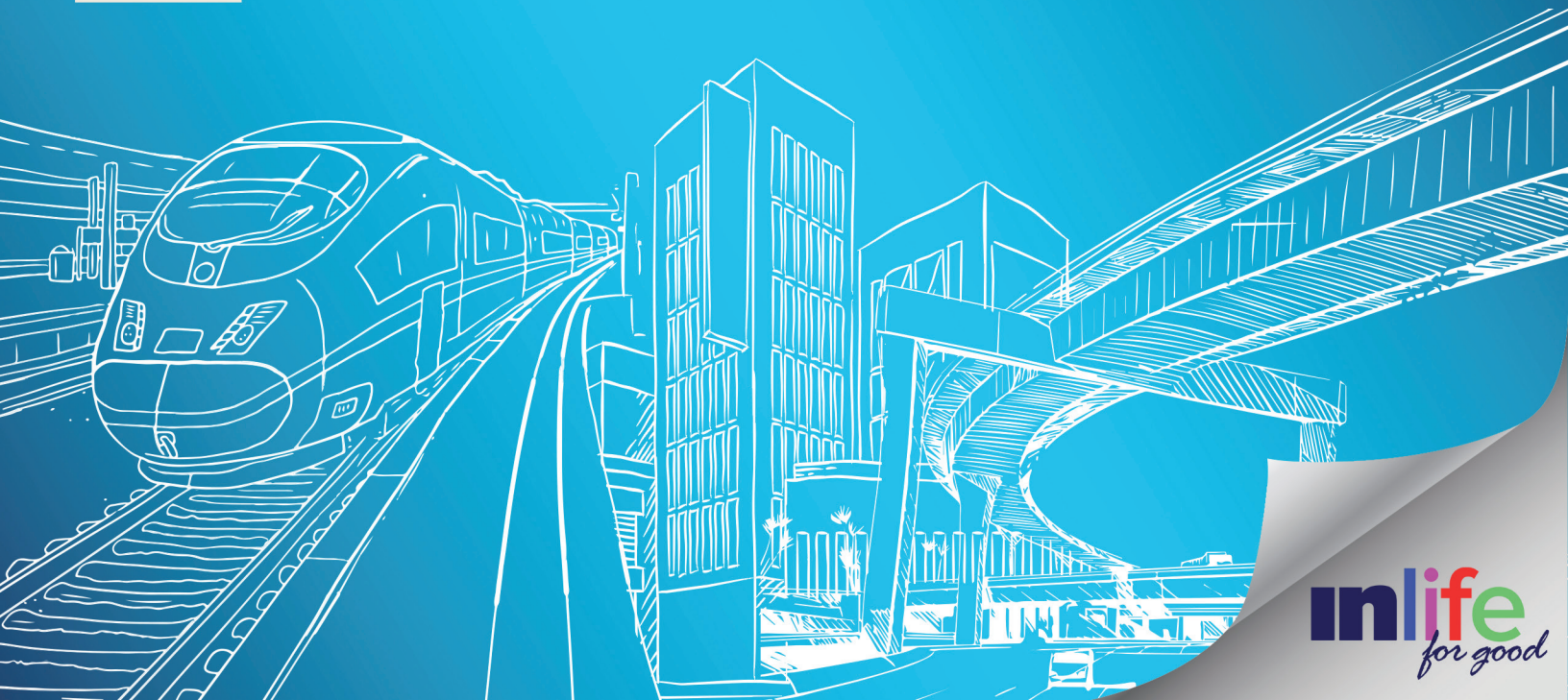




INTENSIFIED ACTIVITY, ROBUST PERFORMANCE

2017 WEALTH SERIES REPORT
TO POLICYHOLDERS



inlife
for good

The background of the slide features a detailed line drawing of a modern high-speed train on the left, moving towards the viewer. To the right of the train is a complex architectural structure with multiple levels, glass facades, and curved lines, suggesting a contemporary transit hub or office building. The entire illustration is rendered in a light, sketchy style that blends into the white background.

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MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



Dear Valued Policyholder,

I am very happy to report to you that 2017 was a banner year for us, and for the life insurance industry as a whole.

Allow me first to thank you all for allowing Insular Life to be a part of your strategy to plan for the future. It is an honor for us to help you gain peace of mind in the present and offer you an assurance of a bright tomorrow.

It is for this reason that we work so hard to deliver to you only our very best performance, year after year.

Moreover, as you know, our business does not exist in a vacuum, but rather, as an integral part of both the local economy and in part, with the global market. Thus, any movements in these areas where our business is situated, creates a ripple effect to the performance of Insular Life.

Nonetheless, we have provided you with great results in both good and difficult years, and 2017 is one of the best years.

As I have mentioned earlier, the past year was a great one for life insurance, in general. This is because our economy grew 6.7% Annual for 2017 per PSA as measured by the Gross Domestic Product (GDP).

The GDP measures the total value of final goods and services produced in the country. It is the most popular method of measuring an economy's output and is therefore considered a measure of the size of an economy.

Growth in the GDP can be explained by the administration's increased spending in infrastructure that focuses on the transportation system nationwide and other mega projects.

This so-called "Build-Build-Build" strategy has seen the construction of such projects as PNR South Railway, South Integrated Transport Service, Quezon Avenue Rapid Bus Transit, PNR North Railway, Mindanao Railway, Cebu PRT, and Bohol Airport.

Next year, the Mega Manila Subway is expected to commence construction, with funding from a Japanese loan.

While the GDP may be fueled by government spending on borrowed funding, the country's Debt to GDP ratio is low at 42.1% and is projected to go down further in 2020.

This means that even with our increased spending (reflecting an upward GDP) fueled by increased foreign loans, economists are confident that we can pay back these loans, as reflected by a shrinking Debt-GDP ratio.

Things are really looking well in the local economy, and so the next question is, how did our business fare in the face of these positive deployments?

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

As your President and Chief Executive Officer, I am happy to report to you that for the first time in our history, we have breached the Php 5.0 billion mark in terms of consolidated net income. We are also heavily capitalized with a net worth of Php 36.53 billion and assets valued at Php 135.90 billion.

You are probably wondering. “What happened to our portfolio of funds? Did it grow as much as the market? Did it grow as much as the industry? Did we make solid financial decisions?”

The answer to all those questions is “Yes”. We have posted favorable results and I am happy to report to you the details of our achievements.

Among our Wealth Series Funds, the Select Equities Fund posted year-end returns of 23.85%, followed by the Equity Fund at 14.17% then the Growth Fund at 12.98%.

Our Balanced Fund, which is a mixed exposure of equity and fixed-income assets, delivered returns of 6.6%.

The rest of your fund’s performance report is contained in the succeeding sections.

What’s in store for us this 2018? In the economic side, we will now feel the full effect of the newly-implemented TRAIN Law. We will probably see inflation hover around 4%, and experience a slight increase in interest rates.

I assure you that we, your management team, will be ever vigilant and that you can expect nothing but the very best from us.

We will continue to be prudent in our investments; we will continue to find the best possible way to grow your funds entrusted to us whatever the market situation may be.

On behalf of the management, thank you for your continued trust in Insular Life, indeed, we are INLIFE for GOOD!

mbdlacruz
MONA LISA DE LA CRUZ
President and Chief Executive Officer

PESO FIXED INCOME FUND

FUND PERFORMANCE

Peso Fixed Income Fund ended 2017 with a NAVPU of Php 1.86395, 0.47% lower than 2016 NAVPU of Php 1.87279 amid an increasing interest rate environment triggered by Fed rate hikes and increasing inflation. The Fund continues to invest in a mix of government and corporate bonds and short-term securities.

MARKET REVIEW

Local bond yields mostly tracked movements in US Treasuries at the beginning of the year in the wake of Trump's busy start to the presidency. Concerns over Donald Trump's policies hung over the market coupled with higher probability of a Fed rate hike in March. US CPI which posted the largest YOY increase in nearly 5 years, rising 2.5% since January 2016 may have prompted the Fed to deliver a widely expected quarter point hike and continued to forecast a total of three rate increases in 2017. The local bond market moved frantically after the Bureau of the Treasury unexpectedly awarded the new 3-year Retail Treasury Bond (RTB) at the high coupon of 4.25%. The rate was 12 bps higher than the last 5-year FXTN reissuance at 4.13% and 38 bps more than the most recent 3-year FXTN auction at 3.873%. Yields on the most liquid securities adjusted by 10-30 bps higher across the curve after the Php 181 billion RTB issue.

In this backdrop, the BSP sees current monetary policy as appropriate and believes no immediate need to tweak policy rate settings as inflation is expected to stay within the target range of 2%-4%. Indeed, Philippine CPI

moderated further to 2.7% YOY in June after it posted 3.4% YOY in March and April. Philippine Q2-2017 GDP growth came in at 6.5% YOY, slightly ahead of consensus forecast of 6.4%. Domestic consumption remains as the main growth contributor together with government expenditures and investment. Likewise, 10Y US Treasury yield eased to as low as 2.12% even after the second Fed rate hike in June on mixed US economic activity, still below target inflation and heightened geopolitical risk. With steady policy rates, optimistic growth outlook and diminishing Fed rate hike expectations, the local bond market gained support.

The last quarter of 2017 once again saw the return of volatility with several factors contributing to the "risk-off" mode. Headline inflation rose for the fourth straight month and peaked at 3.5% YOY in October bringing full year average inflation rate to 3.2% from 1.8% in 2016. The Bureau of the Treasury's (BTR) announcement to increase the GS supply pipeline for November-December 2017 from Php 90 billion to Php 140 billion was viewed negatively by the market and yields consequently adjusted higher by 5-10 basis points. Local bond rates increased further after the government opted to award the new 5Y RTB at the upper end of indications at 4.625% to give retail investors some premium and prefund the government's funding target before the year ends. Final size of the new RTB reached a record Php 255.4 billion at the end of the offer period following strong demand. Nevertheless, the huge supply resulted in an upward shift in the yield curve as investors adjusted to the 5-year rate of 4.625%. Market sentiment and liquidity in the RPGB market have been poor post-RTB and even worsened in anticipation of another Fed rate hike in December.

Towards yearend, demand for government securities was seen mostly on the short-end part of the curve as players foresee more rate tightening from the Fed in 2018. With the passage of the Tax Reformation for Acceleration and Inclusion (TRAIN) Law and accelerating domestic economic activity, the BSP is likewise expected to deliver two rate increases next year.

OUTLOOK

Moving forward, as inflation begins to pick up and global economic recovery gain steam, we would likely see bond yields continue to adjust higher, giving bond portfolios more reason to remain light and short in terms of duration.

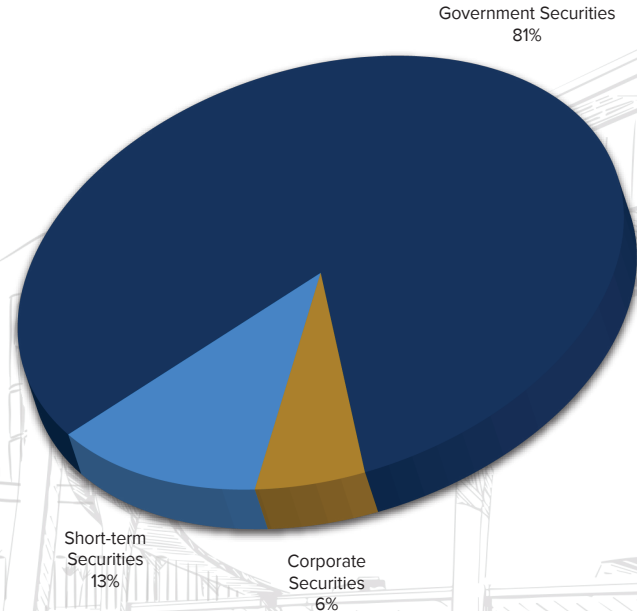
TOP HOLDINGS

GOVERNMENT SECURITIES:

- Philippine Government Bond due 2031
- Philippine Government Bond due 2025
- Philippine Government Bond due 2023
- Philippine Government Bond due 2022
- Philippine Government Bond due 2020

PESO FIXED INCOME FUND

Fund Distribution by Market Value



EQUITY FUND

FUND PERFORMANCE

The Equity Fund ended the year with a NAVPU of Php 5.06358, up 14.17% from the previous year. The Fund underperformed the Philippine Stock Exchange Index (PSEi), which was up by 25.1% for the year. Underperformance was due to the Fund's defensive stance amid the view that the market was relatively expensive already, hence the decision to have an elevated cash position. Moreover, only a few index heavyweight stocks have accounted for bulk of the PSEi's rally, most of which have relatively lower weights in the Equity Fund portfolio.

Volatility of the Fund remained lower at 8.4% versus the PSEi's 11.9% (Note: The volatility was based on the annualized standard deviation of daily returns of the portfolio and the PSEi).

The Fund maintains its exposure across all sectors of the market, with bias on conglomerates and consumer related stocks. Cash position of the Fund was 11.2% to be defensive against expected volatility in the coming year.

For 2018, the Fund is favorably leaning towards a heavier exposure on conglomerates, banks, and consumer stocks as part of its overall broad exposure strategy in the equities market. This will be in-line with its long term outlook with government policies, consumer strength and economic fundamentals.

MARKET REVIEW

2017 was a solid year for local equities as we saw the Philippine Stock Exchange Index (PSEi) breaking record highs throughout the period. The market opened the year on a high note in what appeared to be

a carry-over of momentum from last year's late rally. We saw the PSEi surging by 7.7% on just the first ten (10) trading days of the year. Market sentiment was positive as the Philippines remains as one of the fastest growing economies in the region with GDP growth of 6.7% for the full year 2017.

The market briefly consolidated as talks of a series of Fed rate hikes prompted investors to take a cautious stance. The Fed actually raised its policy rates three (3) times in 2017 for a total of 75 basis points. After the consolidation, another rally resumed following widespread optimism on the progress of the comprehensive tax reform package one (TRAIN), which was finally passed into law in December 2017. The appointment of Deputy Governor Nestor Espenilla as the successor of outgoing BSP Governor Amando Tetangco was also well received as this implied a continuation of the effective monetary policies that has led the country to its investment grade rating.

Foreign funds seemed encouraged as well with the economic growth prospects of the country, registering net foreign buying of Php56.2 billion.

The PSEi ended the year at 8,558.42 points, translating to a year to date growth of 25.1%.

OUTLOOK

Volatility may be expected in interim as investors cash-in their profits especially as the market becomes relatively expensive again. Unless earnings growth catches up aggressively, valuations should remain as a key concern that may limit any upside for the market. Foreign flows will be crucial as well, as the rising interest rate environment in the US may put further pressure on the weakening Philippine Peso making it less attractive for foreign funds to enter the local equities market.

FUND MANAGER'S REPORT

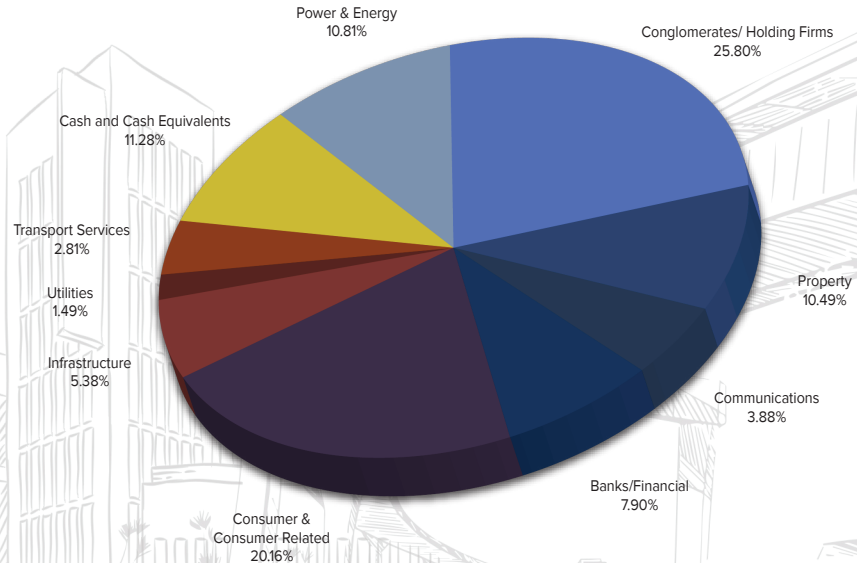
EQUITY FUND STOCK LIST

As of December 31, 2017

AC	Ayala Corporation
AEV	Aboitiz Equity Ventures
AGI	Alliance Global Inc.
ALI	Ayala Land Inc.
AP	Aboitiz Power Corporation
BDO	Banco De Oro Universal Bank
BPI	Bank of the Philippine Islands
CNPF	Century Pacific Food, Inc.
DMC	DMCI Holdings, Inc.
DNL	D and L Industries, Inc.
EDC	Energy Development Corporation
EEI	EEI Corporation
EW	East West Banking Corporation
FDC	Filinvest Development Corporation
FGEN	FirstGen Corporation
FLI	Filinvest Land Inc.
FPH	First Philippine Holdings
GLO	Globe Telecom
GTAP	GT Capital Holdings, Inc.
ICT	International Container Terminal Services, Inc.
JFC	Jollibee Foods Corporation
JGS	JG Summit Holdings, Inc.
LPZ	Lopez Holdings, Inc.
MAXS	Max's Group, Corp.
MBT	Metrobank and Trust Co.
MEG	Megaworld Corporation
MER	Manila Electric Co.
MPI	Metro Pacific Investments, Corp.
MWC	Manila Water Co.
MWIDE	Megawide Construction Corp.
PBB	Philippine Business Bank
PCOR	Petron Corporation
PGOLD	Puregold Price Club, Inc.
PHEN	PHINMA Energy Corp.
RLC	Robinsons Land Corporation
RRHI	Robinsons Retail Holdings, Inc.
SCC	Semirara Mining Corporation
SECB	Security Bank Corporation
SM	SM Investments Corp.
SMC	San Miguel Corporation
SMPH	SM Prime Holdings, Inc.
SSI	SSI Group, Inc.
TEL	PLDT, Inc.
URC	Universal Robina Corporation
VLL	Vista Land and Lifescapes, Inc.

EQUITY FUND

Fund Distribution by Market Value



GROWTH FUND

FUND PERFORMANCE

Growth Fund NAVPU closed 2017 with a NAVPU of Php 1.83165, 12.98% up from the previous year. The Fund lagged the Philippine Stock Exchange Index (PSEi), which was up by 25.1% for the year. Underperformance was due to the Fund's defensive stance amid the view that the market was relatively expensive already, hence the decision to have an elevated cash position. Moreover, only a few index heavyweight stocks have accounted for bulk of the PSEi's rally, most of which have relatively lower weights in the Growth Fund portfolio.

Volatility of the Fund was lower at 8.1% versus the PSEi's 11.9% (Note: The volatility was based on the annualized standard deviation of daily returns of the portfolio and the PSEi).

The Fund remained overweight on companies exposed in consumer, retail, and property sectors, all of which were believed to outperform the market during the period. Cash position of the Fund was 10.8% to cushion against expected volatility in 2018.

For 2018, the Fund will be favorably biased on the infrastructure and consumer sectors, on the back of the government's tax reform program and initiative to push spending for infrastructure growth. This is consistent with the Fund's long term strategy to overweight exposure in the growth sectors of the Philippine economy.

MARKET REVIEW

2017 was a solid year for local equities as we saw the Philippine Stock Exchange Index (PSEi) breaking record highs throughout the period. The

market opened the year on a high note in what appeared to be a carry-over of momentum from last year's late rally. We saw the PSEi surging by 7.7% on just the first ten (10) trading days of the year. Market sentiment was positive as the Philippines remains as one of the fastest growing economies in the region with GDP growth of 6.7% for the full year 2017.

The market briefly consolidated as talks of a series of Fed rate hikes prompted investors to take a cautious stance. The Fed actually raised its policy rates three (3) times in 2017 for a total of 75 basis points. After the consolidation, another rally resumed following widespread optimism on the progress of the comprehensive tax reform package one (TRAIN), which was finally passed into law in December 2017. The appointment of Deputy Governor Nestor Espenilla as the successor of outgoing BSP Governor Amando Tetangco was also well received as this implied a continuation of the effective monetary policies that has led the country to its investment grade rating.

Foreign funds seemed encouraged as well with the economic growth prospects of the country, registering net foreign buying of Php 56.2 billion.

The PSEi ended the year at 8,558.42 points, translating to a year to date growth of 25.1%.

OUTLOOK

Volatility may be expected in interim as investors cash-in their profits especially as the market becomes relatively expensive again. Unless earnings growth catches up aggressively, valuations should remain as a key concern that may limit any upside for the market. Foreign flows will be crucial as well, as the rising interest rate environment in the US may put further pressure on the weakening Philippine Peso making it less attractive for foreign funds to enter the local equities market.

FUND MANAGER'S REPORT

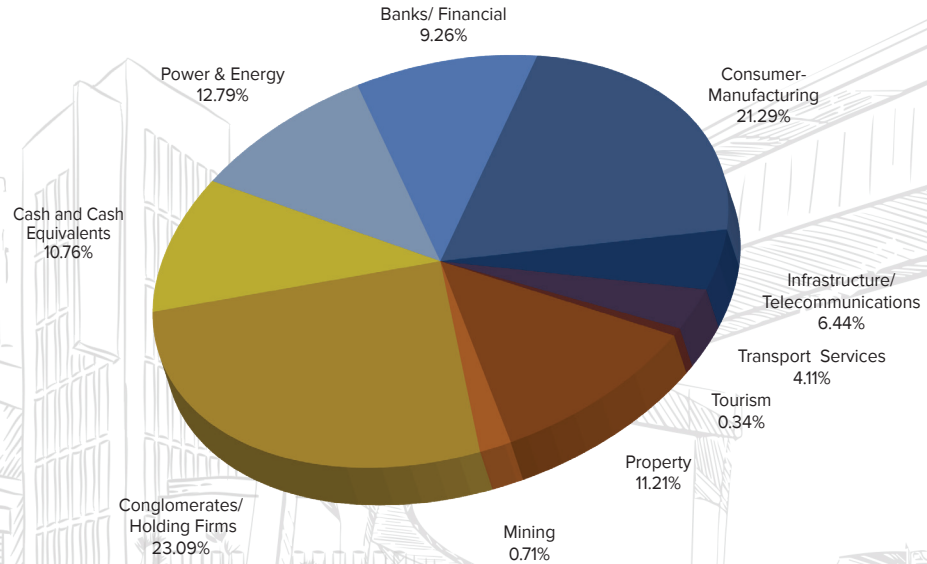
GROWTH FUND STOCK LIST

As of December 31, 2017

AC	Ayala Corporation
AEV	Aboitiz Equity Ventures, Inc.
AGI	Alliance Global Inc.
ALI	Ayala Land, Inc.
AP	Aboitiz Power Corporation
BDO	Banco De Oro Universal Bank
CIC	Concepcion Industrial Corporation
CNPF	Century Pacific Food, Inc.
DMC	DMCI Holdings, Inc.
DMPL	Del Monte Pacific Ltd.
DNL	D and L Industries, Inc.
EDC	Energy Development Corporation
EEL	EEL Corporation
EW	East West Banking Corporation
FGEN	FirstGen Corporation
FPH	First Philippine Holdings
GLO	Globe Telecom
GTCAP	GT Capital Holdings, Inc.
ICT	International Container Terminal Services, Inc.
JGS	JG Summit Holdings, Inc.
LPZ	Lopez Holdings
MAXS	Max's Group, Inc.
MBT	Metropolitan Bank and Trust Company
MEG	Megaworld Corporation
MPI	Metro Pacific Investments
MWIDE	Megawide Construction Corp.
NIKL	Nickel Asia Corp.
PBB	Philippine Business Bank
PCOR	Petron Corporation
PGOLD	Puregold Price Club, Inc.
PHEN	PHINMA Energy Corp
PX	Philex Mining
PXP	Philex Petroleum Corporation
RFM	RFM Corporation
RLC	Robinsons Land Corporation
RRHI	Robinsons Retail Holdings, Inc.
RWM	Travellers International Hotel Group, Inc.
SCC	Semirara Mining Corporation
SECB	Security Bank Corporation
SM	SM Investments Corp.
SMC	San Miguel Corporation
SMPH	SM Prime Corporation
SSI	SSI Group, Inc.
URC	Universal Robina Corporation
VLL	Vista Land and Lifescapes, Inc.

GROWTH FUND

Fund Distribution by Market Value



SELECT EQUITIES FUND

FUND PERFORMANCE

SEF NAVPU closed 2017 at Php 0.99836, up by 23.85% from the previous year. The Fund tracked the Philippine Stock Exchange Index (PSEi), which was up by 25.1% for the year. SEF volatility mirrored the PSEi's at 11.9% as the index heavyweights that propelled the PSEi to its highs were also part of the SEF portfolio (Note: The volatility was based on the annualized standard deviation of daily returns of the portfolio and the PSEi).

MARKET REVIEW

2017 was a solid year for local equities as we saw the Philippine Stock Exchange Index (PSEi) breaking record highs throughout the period. The market opened the year on a high note in what appeared to be a carry-over of momentum from last year's late rally. We saw the PSEi surging by 7.7% on just the first ten (10) trading days of the year. Market sentiment was positive as the Philippines remains as one of the fastest growing economies in the region with GDP growth of 6.7% for the full year 2017.

The market briefly consolidated as talks of a series of Fed rate hikes prompted investors to take a cautious stance. The Fed actually raised its policy rates three (3) times in 2017 for a total of 75 basis points. After the consolidation, another rally resumed following widespread optimism on the progress of the comprehensive tax reform package one (TRAIN), which was finally passed into law in December 2017. The

appointment of Deputy Governor Nestor Espenilla as the successor of outgoing BSP Governor Amando Tetangco was also well received as this implied a continuation of the effective monetary policies that has led the country to its investment grade rating.

Foreign funds seemed encouraged as well with the economic growth prospects of the country, registering net foreign buying of Php 56.2 billion.

The PSEi ended the year at 8,558.42 points, translating to a year to date growth of 25.1%.

OUTLOOK

Volatility may be expected in interim as investors cash-in their profits especially as the market becomes relatively expensive again. Unless earnings growth catches up aggressively, valuations should remain as a key concern that may limit any upside for the market. Foreign flows will be crucial as well, as the rising interest rate environment in the US may put further pressure on the weakening Philippine Peso making it less attractive for foreign funds to enter the local equities market.

COMPOSITION OF SELECT EQUITIES FUND AS OF 31 DECEMBER 2017 IS AS FOLLOWS:

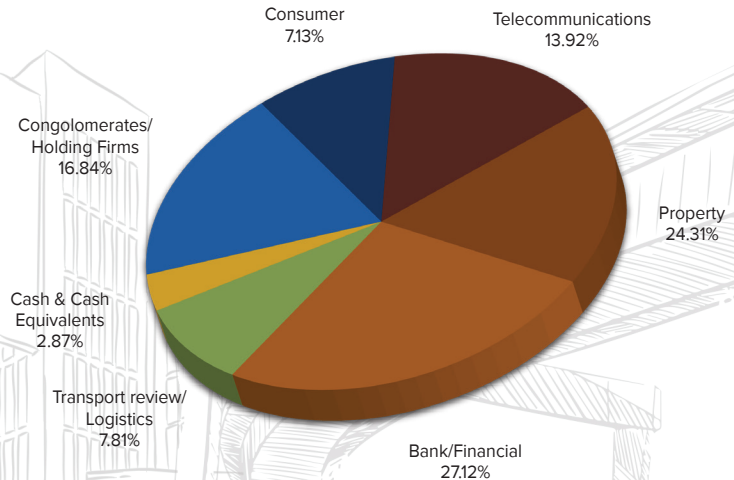
ALI	Ayala Land, Inc.
BDO	BDO Unibank
GLO	Globe Telecom, Inc.
ICT	Int'l Container Terminal Services, Inc.
MBT	Metropolitan Bank and Trust Company
MEG	Megaworld Corporation
MPI	Metro Pacific Investments Corporation
SECB	Security Bank Corporation
SM	SM Investments Corporation
SMPH	SM Prime Holdings Corporation
TEL	Pldt, Inc.
URC	Universal Robina Corporation

RESERVE LIST

AC	Ayala Corporation
GLO	Bank of the Philippine Islands
GTCAP	GT Capital Holdings, Inc.
JFC	Jollibee Foods Corporation
JGS	JG Summit Holdings, Inc.

SELECT EQUITIES FUND

Fund Distribution by Market Value



GUARDIAN FUND

FUND PERFORMANCE

Guardian Fund NAVPU closed 2017 at Php0.77893, up by 6.11% from the previous year. The Fund lagged the Philippine Stock Exchange Index (PSEi), which was up by 25.1% for the year. Note that PSEi's rally last year was mainly driven by only a few index heavyweights. Unfortunately as per design, these index heavyweights are not part of Guardian Fund portfolio, reason why it underperformed significantly.

Guardian Fund volatility was lower at 7.5% versus the PSEi's 11.9% (Note: The volatility was based on the annualized standard deviation of daily returns of the portfolio and the PSEi).

Cash position remains elevated at 22.5% as the Fund prepares for a market correction ahead.

MARKET REVIEW

2017 was a solid year for local equities as we saw the Philippine Stock Exchange Index (PSEi) breaking record highs throughout the period. The market opened the year on a high note in what appeared to be a carry-over of momentum from last year's late rally. We saw the PSEi surging by 7.7% on just the first ten (10) trading days of the year. Market sentiment was positive as the Philippines remains as one of the fastest growing economies in the region with GDP growth of 6.7% for the full year 2017.

The market briefly consolidated as talks of a series of Fed rate hikes prompted investors to take a cautious stance. The Fed actually raised its policy rates three (3) times in 2017 for a total of 75 basis points. After the consolidation, another rally resumed following widespread optimism on the progress of the comprehensive tax reform package one (TRAIN), which was finally passed into law in December 2017. The appointment of Deputy Governor Nestor Espenilla as the successor of outgoing BSP Governor Amando Tetangco was also well received as this implied a continuation of the effective monetary policies that has led the country to its investment grade rating.

Foreign funds seemed encouraged as well with the economic growth prospects of the country, registering net foreign buying of Php56.2 billion.

The PSEi ended the year at 8,558.42 points, translating to a year to date growth of 25.1%.

OUTLOOK

Volatility may be expected in interim as investors cash-in their profits especially as the market becomes relatively expensive again. Unless earnings growth catches up aggressively, valuations should remain as a key concern that may limit any upside for the market. Foreign flows will be crucial as well, as the rising interest rate environment in the US may put further pressure on the weakening Philippine Peso making it less attractive for foreign funds to enter the local equities market.

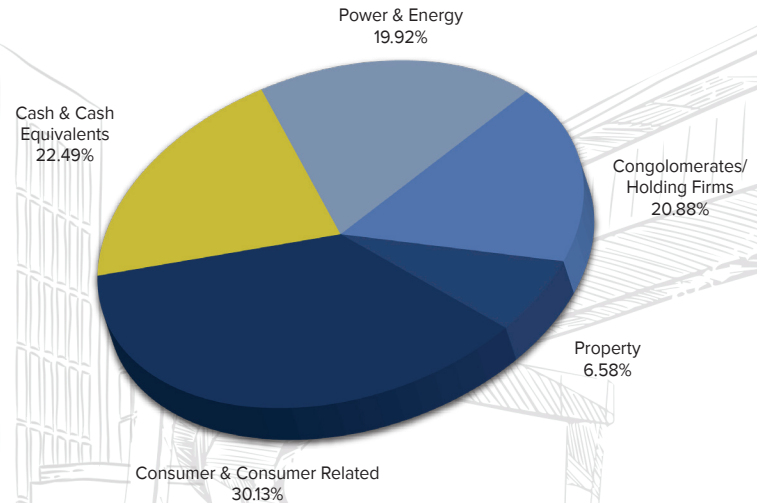
FUND MANAGER'S REPORT

GUARDIAN FUND

Fund Distribution by Market Value

COMPOSITION OF GUARDIAN FUND AS OF 31 DECEMBER 2017 IS AS FOLLOWS:

AC	Ayala Corporation
FGEN	First Gen Corporation
DNL	D and L Industries, Inc.
GTCAP	GT Capital Holdings, Inc.
JFC	Jollibee Foods Corporation
JGS	JG Summit Holdings, Inc.
MER	Manila Electric Company
PGOLD	Puregold Price Club, Inc.
RLC	Robinsons Land Corporation
RRHI	Robinsons Retail Holdings, Inc.
SCC	Semirara Mining and Power Corporation



BALANCED FUND

FUND PERFORMANCE

The Balanced Fund ended the year with a NAVPU of 3.01642, up 6.6% from the previous year. The Fund is comprised of investments in Equities and in Fixed Income. This allows the fund to maximize upside potential from the stock market, while enjoying the benefits of relatively less volatile fixed income investments.

MARKET REVIEW

The Philippine Stock Exchange (PSEi) performed solidly as it posted a stellar growth of 25.1% year-on-year in 2017. In what appeared to be a continuation of late last year's rally, we saw the PSEi surging by 7.7% on the first ten (10) trading days of the year. The optimism was a result of the confidence in the Philippines' economic growth as the country remains to be one of the fastest growing economies in the region with GDP growth of 6.7% for the full year 2017. Towards the end of the first quarter, cautious stance among investors emanated as talks of a series of Fed rate hikes surfaced, leading to the brief market consolidation. However, these concerns were overshadowed as widespread optimism over the passage of the comprehensive tax reform package one (TRAIN) and the appointment of Deputy Governor Nestor Espenilla as the new BSP Governor led the resumption of another market rally.

At the beginning of the year, local bond yields mostly tracked movements in US Treasuries, which was mainly driven by concerns over US President Donald Trump's policies coupled with higher probability of a Fed rate hike in March. Concerns on the latter were

eventually confirmed as the policymakers decided to raise rates in the last month of the first quarter. Meanwhile, the unexpected grant of 3-year Retail Treasury Bond (RTB) at the high coupon of 4.25% pushed yields on the most liquid securities higher by 10-30 bps across the curve. In this backdrop, the BSP maintained its current stance as it sees inflation staying within the target range of 2%-4%, which indeed stayed at 2.7% year-on-year in June. Philippine Q2-2017 GDP growth, on the other hand, came in at 6.5% year-on-year, driven by growth in domestic consumption, government expenditures and investment. With steady policy rates, optimistic growth outlook and diminishing Fed rate hike expectations, the local bond market gained support during the period. However, towards the last quarter of 2017, we saw the "risk-off" mode again. Some of the factors that contributed to this sentiment were higher inflation rate in October, which peaked at 3.5% year-on-year bringing full year average inflation rate to 3.2% from 1.8% in 2016, increase in the GS supply pipeline and the settlement of new 5Y RTB at upper end of indications at 4.625%. As players anticipate more rates tightening from the Fed and expect two rate increases from BSP, demand for government securities was seen mostly on the short-end part of the curve.

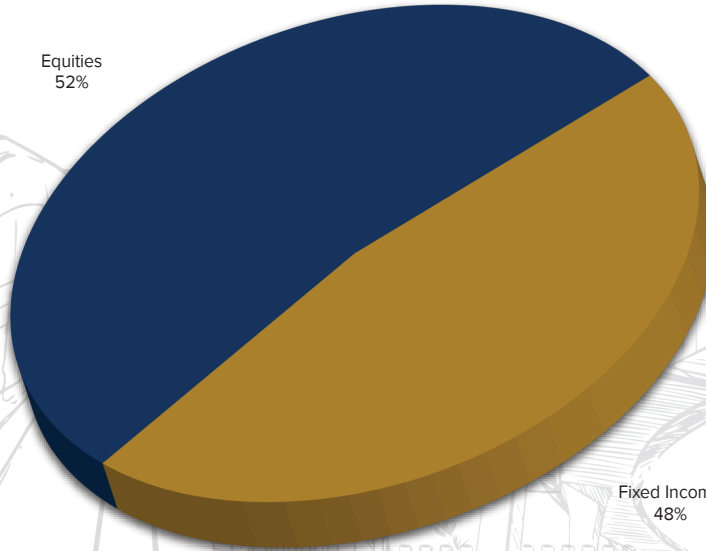
OUTLOOK

Moving forward, volatility is expected to persist as concerns on valuations in equities remain as a key concern. Further pressure on the weakening of the Philippine Peso may also dampen the attractiveness of the country in terms of foreign flows. With the rising interest rate environment amid higher inflation and global economic recovery, bond yields are seen to continue adjusting higher, prompting bond portfolios to remain light and short in terms of duration.

BALANCED FUND

Fund Distribution by Market Value

Equities
52%



Fixed Income
48%

DOLLAR FIXED INCOME FUND

FUND PERFORMANCE

ROPs started the year mainly on a positive note but reversed towards the end of the first quarter and recovered again until September to close the year on a sideways to downward trend. Despite the roller coaster ride, the Dollar Fixed Income Fund, consisting mainly of Philippine sovereign bonds, managed to grow 3.8% YOY with a Net Asset Value per Unit (NAVPU) of USD 1.54747.

MARKET REVIEW

The year started with optimism as ROPs traded higher on the back of the weak US jobs addition in the last month of the previous year, fueling expectations that the Fed might consider slowing down its plan to raise rates in the coming year. However, the trend immediately reversed after Federal Reserve Chair Janet Yellen stated that the US economy is nearing maximum employment and PCE inflation rate is getting closer to the Fed's 2% target. Total jobs generated for the whole year was at par with projections at 2.1 million, along with the unemployment rate at 4.4%. Meanwhile, US CPI inflation rate reached 2.1% in 2017 versus 1.3% in the previous year. The appointment of new Fed Chair also added to the volatility, but eventually simmered down as the market welcomed Jerome Powell as the person who will continue the former Fed Chair's stance towards policy rates. Although gradual rate hikes were anticipated, prices seesawed as several other factors, particularly geopolitical risks and some political uncertainties, rattled the market.

The country's strong fundamentals remain as it managed to register a GDP growth of 6.7% for full year 2017, placing the country among the fastest-growing economies in Asia. Robust growth in exports and recovery in agriculture spurred the economic activity for the year. Inflation rate, on the other hand, was reined in within BSP's target range of 2%-4% at 3.2% in 2017. Despite traversing the year on a backdrop of political noise, armed conflict and crisis with the declaration of Martial Law in Mindanao, the passage of the most awaited tax reform package was still pushed through. This is believed to be one of the catalysts that could drive the country's economic growth moving forward.

OUTLOOK

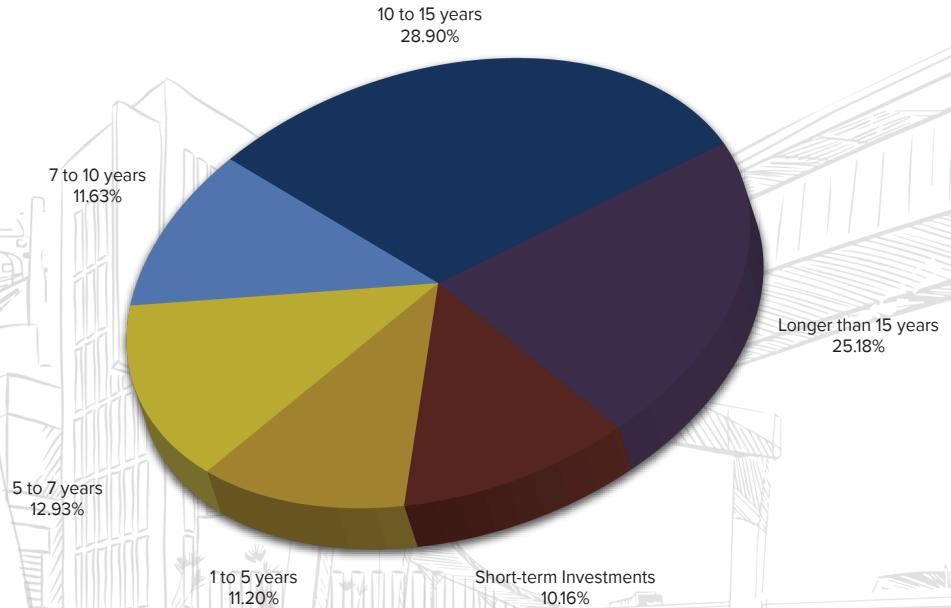
Markets are expected to closely monitor any significant developments on the Fed's plan to normalize interest rates while on the domestic side, inflation rate and possible changes in the monetary policy are also seen as among the factors the markets will keep an eye on, especially now with the implementation of the Tax Reformation for Acceleration and Inclusion (TRAIN).

DOLLAR FIXED INCOME FUND

Fund Distribution by Market Value

TOP HOLDINGS

- Republic of the Philippines 2034
- Republic of the Philippines 2031
- Republic of the Philippines 2030
- Republic of the Philippines 2025
- Republic of the Philippines 2024



INDEPENDENT AUDITORS' REPORT

THE BOARD OF TRUSTEES AND MEMBERS THE INSULAR LIFE ASSURANCE COMPANY, LTD.

OPINION

We have audited the accompanying financial statements of Insular Life Wealth Series Funds (the "Funds"), which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in net assets attributable to unitholders, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Insular Life Wealth Series Funds as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

BASIS FOR OPINION

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Funds in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Funds' financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

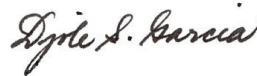
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Funds to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RESTRICTION ON DISTRIBUTION AND USE

This report is intended solely for the information and use of the board of trustees and management of The Insular Life Assurance Company, Ltd. and for submission to the Insurance Commission and should not be used for any other purpose.



DJOLE S. GARCIA

Partner

CPA Certificate No. 0097907

SEC Accreditation No. 1285-AR-1 (Group A)

May 12, 2016 valid until May 12, 2019

Tax Identification No. 201-960-347

BIR Accreditation No. 08-001998-102-2015,

November 25, 2015, valid until November 24, 2018

PTR No. 6621265, January 9, 2018, Makati City

March 22, 2018

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF FINANCIAL POSITION

December 31, 2017											
Peso Investment Funds											
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Guardian Fund	Peso Global Equity Fund	Peso Money Market Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2
ASSETS											
Cash and cash equivalents (Note 3)	₱132,285	₱286,432,645	₱1,050,554,091	₱559,282,977	₱136,754,787	₱214,192,454	₱15,131,422	₱184,387,983	₱-	₱-	₱-
Financial assets at fair value through profit or loss (Note 4):											
Debt securities	-	1,967,199,753	-	-	-	-	-	-	281,415,515	283,558,500	137,970,000
Equity securities	-	-	7,980,400,452	4,697,932,044	4,990,106,092	724,739,234	398,561,064	-	-	-	-
Investment in fixed income fund	895,002,214	-	-	-	-	-	-	-	-	-	-
Investment in equity fund	964,306,908	-	-	-	-	-	-	-	-	-	-
Receivables (Note 5):											
Subscriptions receivable	165,258	1,693,998	82,629	1,371,284	-	335,431	9,240,432	8,415	-	-	-
Investment income receivable	-	19,817,728	5,932,521	2,415,899	3,002	788,049	333	346,568	-	-	-
Other receivables	1,000	1,931,683	25,797,910	11,280,258	10,489,063	1,161	13,150	-	-	-	-
	1,859,607,665	2,277,075,807	9,062,767,603	5,272,282,462	5,137,352,944	940,056,329	422,946,401	184,742,966	281,415,515	283,558,500	137,970,000
LIABILITIES (Note 6)											
Accounts payable	1,883,058	1,309	178,223,604	5,611,530	64,391,456	4,435,115	-	-	-	-	-
Accrued and other liabilities	2,182,220	3,176,044	16,014,110	9,499,794	8,106,960	1,748,426	404,993	75,828	-	-	-
	4,065,278	3,177,353	194,237,714	15,111,324	72,498,416	6,183,541	404,993	75,828	-	-	-
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS											
	₱1,855,542,387	₱2,273,898,454	₱8,868,529,889	₱5,257,171,138	₱5,064,854,528	₱933,872,788	₱422,541,408	₱184,667,138	₱281,415,515	₱283,558,500	₱137,970,000
Number of Units	615,147,088	1,219,933,431	1,751,435,258	2,870,188,306	5,073,176,451	1,198,915,679	417,635,901	181,044,570	375,471	305,000	150,000
Net Asset Value Per Unit	₱3.02	₱1.86	₱5.06	₱1.83	₱1.00	₱0.78	₱1.01	₱1.02	₱749.50	₱929.70	₱919.80

See accompanying Notes to Financial Statements.

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF FINANCIAL POSITION

December 31, 2017

Dollar Investment Funds

	Dollar Fixed Income Fund	Dollar Money Market Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Euro Blue Chips Dollar Fund	Total Peso and Dollar Investment Funds	Eliminating Entries	Combined
ASSETS										
Cash and cash equivalents (Note 3)	₱299,725,949	₱90,147,568	₱—	₱—	₱—	₱—	₱—	₱2,836,742,161	₱—	₱2,836,742,161
Financial assets at fair value through profit or loss (Note 4):										
Debt securities	2,652,708,882	—	194,799,546	84,193,891	146,354,267	456,745,527	364,329,566	6,569,275,447	—	6,569,275,447
Equity securities	—	—	—	—	—	—	—	18,791,738,886	—	18,791,738,886
Investment in fixed income fund	—	—	—	—	—	—	—	895,002,214	(895,002,214)	—
Investment in equity fund	—	—	—	—	—	—	—	964,306,908	(964,306,908)	—
Receivables (Note 5):										
Subscriptions receivable	—	—	—	—	—	—	—	12,897,447	(165,258)	12,732,189
Investment income receivable	48,990,914	67,982	—	—	—	—	—	78,362,996	—	78,362,996
Other receivables	1,246	—	—	—	—	—	—	49,515,471	(3,816,756)	45,698,715
	3,001,426,991	90,215,550	194,799,546	84,193,891	146,354,267	456,745,527	364,329,566	30,197,841,530	(1,863,291,136)	28,334,550,394
LIABILITIES (Note 6)										
Accounts payable	1,241,066	5,425	—	—	—	—	—	255,792,563	(1,883,058)	253,909,505
Accrued and other liabilities	4,253,028	39,434	—	—	—	—	—	45,500,837	(2,098,956)	43,401,881
	5,494,094	44,859	—	—	—	—	—	301,293,400	(3,982,014)	297,311,386
NET ASSETS ATTRIBUTABLE TO										
UNITHOLDERS	₱2,995,932,897	₱90,170,691	₱194,799,546	₱84,193,891	₱146,354,267	₱456,745,527	₱364,329,566	₱29,896,548,130	(₱1,859,309,122)	₱28,037,239,008
Number of Units	38,780,102	1,770,679	4,000	1,750	3,000	10,000	7,550			
Net Asset Value Per Unit	₱77.25	₱50.92	₱48,699.89	₱48,110.79	₱48,784.76	₱45,674.55	₱48,255.57			

See accompanying Notes to Financial Statements.

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF FINANCIAL POSITION

December 31, 2016										
Peso Investment Funds										
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Guardian Fund	Peso Money Market Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2
ASSETS										
Cash and cash equivalents (Note 3)	P132,985	P167,786,679	P1,087,431,524	P769,104,515	P99,213,025	P430,899,853	P149,532,793	P-	P-	P-
Financial assets at fair value through profit or loss (Note 4):										
Debt securities	-	1,433,043,872	-	-	-	-	-	261,928,570	272,426,000	132,885,000
Equity securities	-	-	5,193,605,622	4,019,869,870	4,293,090,332	566,903,538	-	-	-	-
Investment in fixed income fund	736,627,398	-	-	-	-	-	-	-	-	-
Investment in equity fund	696,154,244	-	-	-	-	-	-	-	-	-
Receivables (Note 5):										
Subscriptions receivable	694,556	1,203,726	9,229,033	1,669,108	-	273,534	977,573	-	-	-
Investment income receivable	-	14,820,589	2,579,728	2,361,677	3,788,697	264,421	258,161	-	-	-
Other receivables	1,000	1,466,081	1,481,461	969	-	1,193	-	-	-	-
	1,433,610,183	1,618,320,947	6,294,327,368	4,793,006,139	4,396,092,054	998,342,539	150,768,527	261,928,570	272,426,000	132,885,000
LIABILITIES (Note 6)										
Accounts payable	2,412,356	1,309	19,228,981	3,886,944	873,727	4,784,833	39,364,823	-	-	-
Accrued and other liabilities	1,277,547	2,218,715	11,276,702	8,698,586	6,982,416	1,814,775	54,462	-	-	-
	3,689,903	2,220,024	30,505,683	12,585,530	7,856,143	6,599,608	39,419,285	-	-	-
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS										
	P1,429,920,280	P1,616,100,923	P6,263,821,685	P4,780,420,609	P4,388,235,911	P991,742,931	P111,349,242	P261,928,570	P272,426,000	P132,885,000
Number of Units	505,333,200	862,936,950	1,412,383,744	2,948,713,250	5,443,896,591	1,350,995,705	110,363,069	375,471	305,000	150,000
Net Asset Value Per Unit	P2.83	P1.87	P4.43	P1.62	P0.81	P0.73	P1.01	P697.60	P893.20	P885.90

See accompanying Notes to Financial Statements.

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF FINANCIAL POSITION

December 31, 2016										
Dollar Investment Funds										
	Dollar Fixed Income Fund	Dollar Money Market Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Euro Blue Chips Dollar Fund	Total Peso and Dollar Investment Funds	Eliminating Entries	Combined
ASSETS										
Cash and cash equivalents (Note 3)	P220,145,344	P57,308,501	P-	P-	P-	P-	P-	P2,981,555,219	P-	P2,981,555,219
Financial assets at fair value through profit or loss (Note 4):										
Debt securities	2,693,192,522	-	191,202,219	82,814,113	139,964,567	431,380,580	349,348,282	5,988,185,725	-	5,988,185,725
Equity securities	-	-	-	-	-	-	-	14,073,469,362	-	14,073,469,362
Investment in fixed income fund	-	-	-	-	-	-	-	736,627,398	(736,627,398)	-
Investment in equity fund	-	-	-	-	-	-	-	696,154,244	(696,154,244)	-
Receivables (Note 5):										
Subscriptions receivable	351,801	-	-	-	-	-	-	14,399,331	(694,556)	13,704,775
Investment income receivable	50,107,250	48,911	-	-	-	-	-	74,229,434	-	74,229,434
Other receivables	1,246	-	-	-	-	-	-	2,951,950	(2,932,162)	19,788
	2,963,798,163	57,357,412	191,202,219	82,814,113	139,964,567	431,380,580	349,348,282	24,567,572,663	(1,436,408,360)	23,131,164,303
LIABILITIES (Note 6)										
Accounts payable	-	4,390	-	-	-	-	-	70,557,363	(2,412,356)	68,145,007
Accrued and other liabilities	4,116,865	25,017	-	-	-	-	-	36,465,085	(1,214,362)	35,250,723
	4,116,865	29,407	-	-	-	-	-	107,022,448	(3,626,718)	103,395,730
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS										
	P2,959,681,298	P57,328,005	P191,202,219	P82,814,113	P139,964,567	P431,380,580	P349,348,282	P24,460,550,215	(P1,432,781,642)	P23,027,768,573
Number of Units	39,866,471	1,139,686	4,000	1,750	3,000	10,000	7,550			
Net Asset Value Per Unit	P74.24	P 50.30	P47,800.55	P47,322.35	P46,654.86	P43,138.06	P46,271.30			

See accompanying Notes to Financial Statements.

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31, 2017

Peso Investment Funds

	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Guardian Fund	Peso Global Equity Fund	Peso Money Market Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2
INCOME											
Interest income - deposits (Note 3)	P=	P2,868,394	P16,044,989	P10,561,082	P582,675	P1,748,768	P13,737	P2,992,538	P=	P=	P=
Interest income - debt securities (Note 4)	-	79,550,645	-	-	-	-	-	-	-	-	-
Dividends (Note 5)	-	-	115,802,314	70,853,054	72,605,849	11,991,854	-	-	-	-	-
	-	82,419,039	131,847,303	81,414,136	73,188,524	13,740,622	13,737	2,992,538	-	-	-
EXPENSES											
Management fees (Note 7)	-	28,596,205	152,842,419	103,551,806	86,026,594	20,105,689	1,025,704	675,650	-	-	-
Administration fees (Note 7)	904,673	1,066,527	4,221,167	2,865,675	2,721,693	570,907	51,285	83,508	-	-	-
Custody fees (Note 7)	-	307,462	1,535,744	1,049,393	1,020,258	182,368	-	-	-	-	-
Government taxes and duties	-	17,038,491	3,129,585	2,085,909	115,180	349,135	2,643	546,800	-	-	-
Professional fees	-	62,981	62,981	62,981	62,981	62,981	-	-	-	-	-
Transaction costs	700	13,200	1,100	1,550	2,100	11,684	-	800	-	-	-
	905,373	47,084,866	161,792,996	109,617,314	89,948,806	21,282,764	1,079,632	1,306,758	-	-	-
OTHER INCOME (LOSSES)											
Net change in unrealized gain (loss) on investment	79,668,016	(55,536,946)	823,340,629	397,244,979	1,281,600,645	57,908,970	561,064	-	19,486,945	11,132,500	5,085,000
Realized gain (loss) on investment	19,629,574	5,426,377	174,815,040	255,168,685	(234,271,786)	10,133,287	-	-	-	-	-
Foreign currency gain	-	-	-	-	-	-	-	-	-	-	-
	99,297,590	(50,110,569)	998,155,669	652,413,664	1,047,328,859	68,042,257	561,064	-	19,486,945	11,132,500	5,085,000
NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS RESULTING FROM OPERATIONS AND OTHER COMPREHENSIVE INCOME	P98,392,217	(P14,776,396)	P968,209,976	P624,210,486	P1,030,568,577	P60,500,115	(P504,831)	P1,685,780	P19,486,945	P11,132,500	P5,085,000

See accompanying Notes to Financial Statements.

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31, 2017

Dollar Investment Funds

		Dollar Fixed Income Fund	Dollar Money Market Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Euro Blue Chips Dollar Fund	Total Peso and Dollar Investment Funds	Eliminating Entries	Combined
INCOME											
Interest income - deposits (Note 3)		₱3,612,343	₱1,202,576	₱–	₱–	₱–	₱–	₱–	₱39,627,102	₱–	₱39,627,102
Interest income - debt securities (Note 4)	–	138,758,448	–	–	–	–	–	–	218,309,093	–	218,309,093
Dividends (Note 5)		–	–	–	–	–	–	–	271,253,071	–	271,253,071
	–	142,370,791	1,202,576	–	–	–	–	–	529,189,266	–	529,189,266
EXPENSES											
Management fees (Note 7)		46,803,482	331,853	–	–	–	–	–	439,959,402	–	439,959,402
Administration fees (Note 7)		1,716,124	41,026	–	–	–	–	–	14,242,585	–	14,242,585
Custody fees (Note 7)		425,900	–	–	–	–	–	–	4,521,125	–	4,521,125
Government taxes and duties		258,224	84,234	–	–	–	–	–	23,610,201	–	23,610,201
Professional fees		62,972	–	–	–	–	–	–	377,877	–	377,877
Transaction costs		124,158	–	–	–	–	–	–	155,292	–	155,292
		49,390,860	457,113	–	–	–	–	–	482,866,482	–	482,866,482
OTHER INCOME (LOSSES)											
Net change in unrealized gain (loss) on investment	5,085,000	48,984,353	–	3,175,103	1,196,904	6,080,621	24,412,347	14,209,833	2,718,550,963	(79,668,016)	2,638,882,947
Realized gain (loss) on investment		(25,385,771)	–	–	–	–	–	–	205,515,406	(19,629,574)	185,885,832
Foreign currency gain		6,535,745	126,595	422,224	182,874	309,079	952,600	771,451	9,300,568	–	9,300,568
		30,134,327	126,595	3,597,327	1,379,778	6,389,700	25,364,947	14,981,284	2,933,366,937	(99,297,590)	2,834,069,347
NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS RESULTING FROM OPERATIONS AND OTHER COMPREHENSIVE INCOME											
	₱5,085,000	₱123,114,258	₱872,058	₱3,597,327	₱1,379,778	₱6,389,700	₱25,364,947	₱14,981,284	₱ 2,979,689,721	(₱99,297,590)	₱2,880,392,131

See accompanying Notes to Financial Statements.

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31, 2016

	Peso Investment Funds										
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Guardian Fund	Peso Money Market Fund	Strategic Resources Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2
INCOME											
Interest income - deposits (Note 3)	P-	P369,674	P6,531,945	P4,334,350	P383,200	P1,047,748	P1,800,052	P-	P-	P-	P-
Interest income - debt securities (Note 4)	-	65,681,736	-	-	-	-	-	-	-	-	-
Dividends (Note 5)	-	-	86,475,192	70,898,191	90,347,705	1,461,634	-	-	-	-	-
	-	66,051,410	93,007,137	75,232,541	90,730,905	2,509,382	1,800,052	-	-	-	-
EXPENSES											
Management fees (Note 7)	-	22,563,700	113,380,763	96,843,641	83,369,314	8,911,066	447,311	-	-	-	-
Administration fees (Note 7)	847,704	846,686	3,137,321	2,682,550	2,641,778	254,055	59,726	-	-	-	-
Custody fees (Note 7)	-	244,115	1,137,422	959,651	1,192,327	130,539	-	-	-	-	-
Government taxes and duties	-	13,207,683	147	292	179	-	-	-	-	-	-
Professional fees	-	74,895	74,895	74,895	74,548	32,500	-	-	-	-	-
Transaction costs	777	88,756	1,115,934	763,171	66,500	207,862	308,714	-	-	-	-
	848,481	37,025,835	118,846,482	101,324,200	87,344,646	9,536,022	815,751	-	-	-	-
OTHER INCOME (LOSSES)											
Net change in unrealized gain (loss)											
on investment	(120,106,278)	(26,240,840)	(24,260,075)	101,924,504	(150,876,502)	(76,512,063)	-	46,118,215	(24,443,162)	3,477,000	1,965,000
Realized gain (loss) on investment	181,504,442	4,204,661	191,379,141	131,080,462	(139,929,293)	-	-	-	-	-	-
Foreign currency gain	-	-	-	-	-	-	-	-	-	-	-
	61,398,164	(22,036,179)	167,119,066	233,004,966	(290,805,795)	(76,512,063)	-	46,118,215	(24,443,162)	3,477,000	1,965,000
NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS RESULTING FROM OPERATIONS AND OTHER COMPREHENSIVE INCOME	P60,549,683	P6,989,396	P141,279,721	P206,913,307	(P287,419,536)	(P83,538,703)	P984,301	P46,118,215	(P24,443,162)	P3,477,000	P1,965,000

See accompanying Notes to Financial Statements.

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31, 2016

	Dollar Investment Funds									
	Dollar Fixed Income Fund	Dollar Money Market Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Euro Blue Chips Dollar Fund	Total Peso and Dollar Investment Funds	Eliminating Entries	Combined
INCOME										
Interest income - deposits (Note 3)	P1,890,792	P640,712	P-	P-	P-	P-	P-	P16,998,473	P-	P16,998,473
Interest income - debt securities (Note 4)	114,199,030	-	-	-	-	-	-	179,880,766	-	179,880,766
Dividends (Note 5)	-	-	-	-	-	-	-	249,182,722	-	249,182,722
	116,089,822	640,712	-	-	-	-	-	446,061,961	-	446,061,961
EXPENSES										
Management fees (Note 7)	41,501,352	173,583	-	-	-	-	-	367,190,730	-	367,190,730
Administration fees (Note 7)	1,521,717	22,356	-	-	-	-	-	12,013,893	-	12,013,893
Custody fees (Note 7)	676,902	-	-	-	-	-	-	4,340,956	-	4,340,956
Government taxes and duties	-	-	-	-	-	-	-	13,208,301	-	13,208,301
Professional fees	75,791	-	-	-	-	-	-	407,524	-	407,524
Transaction costs	314,871	44,388	-	-	-	-	-	2,910,973	-	2,910,973
	44,090,633	240,327	-	-	-	-	-	400,072,377	-	400,072,377
OTHER INCOME (LOSSES)										
Net change in unrealized gain (loss) on investment	(153,909,903)	-	(830,122)	(123,811)	665,040	9,055,872	10,362,606	(403,734,519)	120,106,278	(283,628,241)
Realized gain (loss) on investment	14,418,983	-	-	-	-	-	-	382,658,396	(181,504,442)	201,153,954
Foreign currency gain	114,720,194	-	10,160,245	4,400,638	7,437,541	22,923,020	18,563,927	178,205,565	-	178,205,565
	(24,770,726)	-	9,330,123	4,276,827	8,102,581	31,978,892	28,926,533	157,129,442	(61,398,164)	95,731,278
NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS RESULTING FROM OPERATIONS AND OTHER COMPREHENSIVE INCOME	P47,228,463	P400,385	P9,330,123	P4,276,827	P8,102,581	P31,978,892	P28,926,533	P203,119,026	(P61,398,164)	P141,720,862

See accompanying Notes to Financial Statements.

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Peso Investment Funds												
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Guardian Fund	Peso Global Equity Fund	Peso Money Market Fund	Strategic Resources Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2015	₱1,514,013,356	₱1,361,317,263	₱4,869,783,593	₱4,539,812,226	₱4,453,719,102	₱-	₱-	₱-	₱314,080,000	₱286,371,732	₱268,949,000	₱130,920,000
Contributions received from units issued	248,298,206	439,378,554	2,181,613,739	641,815,800	535,924,854	1,085,331,373	-	508,863,562	-	-	-	-
Redemptions during the year	(392,940,965)	(191,584,290)	(928,855,368)	(608,120,724)	(313,988,509)	(10,049,739)	-	(398,498,621)	(360,198,215)	-	-	-
	(144,642,759)	247,794,264	1,252,758,371	33,695,076	221,936,345	1,075,281,634	-	110,364,941	(360,198,215)	-	-	-
Net increase (decrease) in net assets attributable to unitholders resulting from operations	60,549,683	6,989,396	141,279,721	206,913,307	(287,419,536)	(83,538,703)	-	984,301	46,118,215	(24,443,162)	3,477,000	1,965,000
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2016	1,429,920,280	1,616,100,923	6,263,821,685	4,780,420,609	4,388,235,911	991,742,931	-	111,349,242	-	261,928,570	272,426,000	132,885,000
Contributions received from units issued	395,666,450	784,968,731	2,404,885,364	298,837,195	206,259,249	51,533,859	423,055,568	170,630,781	-	-	-	-
Redemptions during the year	(68,436,560)	(112,394,804)	(768,387,136)	(446,297,152)	(560,209,209)	(169,904,117)	(9,329)	(98,998,665)	-	-	-	-
	327,229,890	672,573,927	1,636,498,228	(147,459,957)	(353,949,960)	(118,370,258)	423,046,239	71,632,116	-	-	-	-
Net increase (decrease) in net assets attributable to unitholders resulting from operations	98,392,217	(14,776,396)	968,209,976	624,210,486	1,030,568,577	60,500,115	(504,831)	1,685,780	-	19,486,945	11,132,500	5,085,000
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2017	₱1,855,542,387	₱2,273,898,454	₱8,868,529,889	₱5,257,171,138	₱5,064,854,528	₱933,872,788	₱422,541,408	₱184,667,138	₱-	₱281,415,515	₱283,558,500	₱137,970,000

See accompanying Notes to Financial Statements.

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Dollar Investment Funds										
	Dollar Fixed Income Fund	Dollar Money Market Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Euro Blue Chips Dollar Fund	Total Peso and Dollar Investment Funds	Eliminating Entries	Combined
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2015	₱2,044,160,445	₱-	₱181,872,096	₱78,537,286	₱131,861,986	₱399,401,688	₱320,421,749	₱20,895,221,522	(₱1,516,026,237)	₱19,379,195,285
Contributions received from units issued	1,251,273,445	62,385,265	-	-	-	-	-	6,954,884,798	(248,298,206)	6,706,586,592
Redemptions during the year	(382,981,055)	(5,457,645)	-	-	-	-	-	(3,592,675,131)	392,940,965	(3,199,734,166)
	868,292,390	56,927,620	-	-	-	-	-	3,362,209,667	144,642,759	3,506,852,426
Net increase (decrease) in net assets attributable to unitholders resulting from operations	47,228,463	400,385	9,330,123	4,276,827	8,102,581	31,978,892	28,926,533	203,119,026	(61,398,164)	141,720,862
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2016	2,959,681,298	57,328,005	191,202,219	82,814,113	139,964,567	431,380,580	349,348,282	24,460,550,215	(1,432,781,642)	23,027,768,573
Contributions received from units issued	285,402,896	33,645,750	-	-	-	-	-	5,054,885,843	(395,666,450)	4,659,219,393
Redemptions during the year	(372,265,555)	(1,675,122)	-	-	-	-	-	(2,598,577,649)	68,436,560	(2,530,141,089)
	(86,862,659)	31,970,628	-	-	-	-	-	2,456,308,194	(327,229,890)	2,129,078,304
Net increase (decrease) in net assets attributable to unitholders resulting from operations	123,114,258	872,058	3,597,327	1,379,778	6,389,700	25,364,947	14,981,284	2,979,689,721	(99,297,590)	2,880,392,131
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2017	₱2,995,932,897	₱90,170,691	₱194,799,546	₱84,193,891	₱146,354,267	₱456,745,527	₱364,329,566	₱29,896,548,130	(₱1,859,309,122)	₱28,037,239,008

See accompanying Notes to Financial Statements.

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Year Ended December 31, 2017											
Peso Investment Funds											
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Guardian Fund	Peso Global Equity Fund	Peso Money Market Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2
CASH FLOWS FROM OPERATING ACTIVITIES											
Net increase (decrease) in net assets attributable to unitholders resulting from operations	P98,392,217	(P14,776,396)	P968,209,976	P624,210,486	P1,030,568,577	P60,500,115	(P504,831)	P1,685,780	P19,486,945	P11,132,500	P5,085,000
Adjustments for (gain) loss on increase/ decrease in value and sale of investments - net	(99,297,590)	50,110,569	(998,155,669)	(652,413,664)	(1,047,328,859)	(68,042,257)	(561,064)	—	(19,486,945)	(11,132,500)	(5,085,000)
Operating income (loss) before working capital changes	(905,373)	35,334,173	(29,945,693)	(28,203,178)	(16,760,282)	(7,542,142)	(1,065,895)	1,685,780	—	—	—
Net increase (decrease):											
Subscription receivable	529,298	(490,272)	9,146,404	297,824	—	(61,897)	(9,240,432)	969,158	—	—	—
Investment income receivable	—	(4,997,139)	(3,352,793)	(54,222)	3,785,695	(523,628)	(333)	(88,407)	—	—	—
Other receivable	—	(465,602)	(24,316,449)	(11,279,289)	(10,489,063)	32	(13,150)	—	—	—	—
Net (increase) decrease:											
Accounts payable, accrued and other liabilities	375,375	957,329	163,732,031	2,525,794	64,642,273	(416,067)	404,993	(39,343,457)	—	—	—
Net cash from (used in) operating activities	(700)	30,338,489	115,263,500	(36,713,071)	41,178,9623	(8,543,702)	(9,914,817)	(36,776,926)	—	—	—
CASH FLOWS FROM INVESTING ACTIVITIES											
Net sale (acquisition) of investments	(327,229,890)	(584,266,450)	(1,788,639,161)	(25,648,510)	350,313,099	(89,793,439)	(398,000,000)	—	—	—	—
CASH FLOWS FROM FINANCING ACTIVITIES											
Net contributions to (redemptions from) the funds	327,229,890	672,573,927	1,636,498,228	(147,459,957)	(353,949,960)	(118,370,258)	423,046,239	71,632,116	—	—	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(700)	118,645,966	(36,877,433)	(209,821,538)	37,541,762	(216,707,399)	15,131,422	34,855,190	—	—	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	132,985	167,786,679	1,087,431,524	769,104,515	99,213,025	430,899,853	—	149,532,793	—	—	—
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	P132,285	P286,432,645	P1,050,554,091	P559,282,977	P136,754,787	P214,192,454	P15,131,422	P184,387,983	P—	P—	P—

See accompanying Notes to Financial Statements

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Year Ended December 31, 2017											
Dollar Investment Funds											
	Dollar Fixed Income Fund	Dollar Money Market Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Euro Blue Chips Dollar Fund	Total	Eliminating Entries	Combined	
CASH FLOWS FROM OPERATING ACTIVITIES											
Net increase (decrease) in net assets attributable to unitholders resulting from operations	₱123,114,258	₱872,058	₱3,597,327	₱1,379,778	₱6,389,700	₱25,364,947	₱14,981,284	₱2,979,689,721	(₱99,297,590)	₱2,880,392,131	
Adjustments for (gain) loss on increase/decrease in value and sale of investments - net	(30,134,327)	(126,595)	(3,597,327)	(1,379,778)	(6,389,700)	(25,364,947)	(14,981,284)	(2,933,366,937)	99,297,590	(2,834,069,347)	
Operating income (loss) before working capital changes	92,979,931	745,463	-	-	-	-	-	46,322,784	-	46,322,784	
Net increase (decrease):											
Subscription receivable	351,801	-	-	-	-	-	-	1,501,884	(529,298)	972,586	
Investment income receivable	1,116,336	(19,071)	-	-	-	-	-	(4,133,562)	-	(4,133,562)	
Other receivable	-	-	-	-	-	-	-	(46,563,522)	884,594	(45,678,928)	
Net (increase) decrease:											
Accounts payable, accrued and other liabilities	1,377,229	15,452	-	-	-	-	-	194,270,953	(355,296)	193,915,657	
Net cash from (used in) operating activities	95,825,297	741,844	-	-	-	-	-	191,398,537	-	191,398,537	
CASH FLOWS FROM INVESTING ACTIVITIES											
Net sale (acquisition) of investments	70,617,967	126,595	-	-	-	-	-	(2,792,519,789)	327,229,890	(2,465,289,899)	
CASH FLOWS FROM FINANCING ACTIVITIES											
Net contributions to (redemptions from) the funds	(86,862,659)	31,970,628	-	-	-	-	-	2,456,308,194	(327,229,890)	2,129,078,304	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	79,580,605	32,839,067	-	-	-	-	-	(144,813,058)	-	(144,813,058)	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	220,145,344	57,308,501	-	-	-	-	-	2,981,555,219	-	2,981,555,219	
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	₱299,725,949	₱90,147,568	₱-	₱-	₱-	₱-	₱-	₱2,836,742,161	₱-	₱2,836,742,161	

See accompanying Notes to Financial Statements

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Year Ended December 31, 2016										
	Peso Investment Funds										
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Guardian Fund	Peso Money Market Fund	Strategic Resources Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2
CASH FLOWS FROM OPERATING ACTIVITIES											
Net increase (decrease) in net assets attributable to unitholders resulting from operations	P60,549,683	P6,989,396	P141,279,721	P206,913,307	(P287,419,536)	(P83,538,703)	P984,301	P46,118,215	(P24,443,162)	P3,477,000	P1,965,000
Adjustments for (gain) loss on increase/ decrease in value and sale of investments - net	(61,398,164)	22,036,179	(167,119,066)	(233,004,966)	290,805,795	76,512,063	—	(46,118,215)	24,443,162	(3,477,000)	(1,965,000)
Operating income (loss) before working capital changes	(848,481)	29,025,575	(25,839,345)	(26,091,659)	3,386,259	(7,026,640)	984,301	—	—	—	—
Net increase (decrease):											
Subscription receivable	(694,556)	(845,403)	(7,089,093)	(1,669,108)	2,819,989	(273,534)	(977,573)	—	—	—	—
Investment income receivable	—	(5,138,821)	(753,566)	(1,395,931)	402,891	(264,421)	(258,161)	—	—	—	—
Other receivable	486,978	(462,090)	(475,317)	(670)	—	(1,193)	—	—	—	—	—
Net (increase) decrease:											
Accounts payable, accrued and other liabilities	1,055,282	(147,631)	18,595,269	1,822,635	65,639	6,599,608	39,419,285	—	—	—	—
Net cash from (used in) operating activities	(777)	22,431,630	(15,562,052)	(27,334,733)	6,674,778	(966,180)	39,167,852	—	—	—	—
CASH FLOWS FROM INVESTING ACTIVITIES											
Net sale (acquisition) of investments	144,642,759	(192,925,592)	(683,275,454)	523,838,536	(327,719,513)	(643,415,601)	—	360,198,215	—	—	—
CASH FLOWS FROM FINANCING ACTIVITIES											
Net contributions to (redemptions from) the funds	(144,642,759)	247,794,264	1,252,758,371	33,695,076	221,936,345	1,075,281,634	110,364,941	(360,198,215)	—	—	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(777)	77,300,302	553,920,865	530,198,879	(99,108,390)	430,899,853	149,532,793	—	—	—	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	133,762	90,486,377	533,510,659	238,905,636	198,321,415	—	—	—	—	—	—
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	P132,985	P167,786,679	P1,087,431,524	P769,104,515	P99,213,025	P430,899,853	P149,532,793	P—	P—	P—	P—

See accompanying Notes to Financial Statements.

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Year Ended December 31, 2016

	Dollar Investment Funds									
	Dollar Fixed Income Fund	Dollar Money Market Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Euro Blue Chips Dollar Fund	Total	Eliminating Entries	Combined
CASH FLOWS FROM OPERATING ACTIVITIES										
Net increase (decrease) in net assets attributable to unitholders resulting from operations	P47,228,463	P400,385	P9,330,123	P4,276,827	P8,102,581	P31,978,892	P28,926,533	P203,119,026	(P61,398,164)	P141,720,862
Adjustments for (gain) loss on increase/ decrease in value and sale of investments - net	24,770,726	—	(9,330,123)	(4,276,827)	(8,102,581)	(31,978,892)	(28,926,533)	(157,129,442)	61,398,164	(95,731,278)
Operating income (loss) before working capital changes	71,999,189	400,385	—	—	—	—	—	45,989,584	—	45,989,584
Net increase (decrease):										
Subscription receivable	(276,616)	—	—	—	—	—	—	(9,005,894)	694,556	(8,311,338)
Investment income receivable	(19,418,797)	(48,911)	—	—	—	—	—	(26,875,717)	—	(26,875,717)
Other receivable	(963)	—	—	—	—	—	—	(453,255)	437,202	(16,053)
Net (increase) decrease:										
Accounts payable, accrued and other liabilities	(9,575,190)	29,407	—	—	—	—	—	57,864,304	(1,131,758)	56,732,546
Net cash from (used in) operating activities	42,727,623	380,881	—	—	—	—	—	67,519,022	—	67,519,022
CASH FLOWS FROM INVESTING ACTIVITIES										
Net sale (acquisition) of investments	(1,068,253,677)	—	—	—	—	—	—	(1,886,910,327)	(144,642,759)	(2,031,553,086)
CASH FLOWS FROM FINANCING ACTIVITIES										
Net contributions to (redemptions from) the funds	868,292,390	\$6,927,620	—	—	—	—	—	3,362,209,667	144,642,759	3,506,852,426
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(157,233,664)	57,308,501	—	—	—	—	—	1,542,818,362	—	1,542,818,362
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	377,379,008	—	—	—	—	—	—	1,438,736,857	—	1,438,736,857
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	P220,145,344	P57,308,501	P—	P—	P—	P—	P—	P2,981,555,219	P—	P2,981,555,219

See accompanying Notes to Financial Statements.

1. INVESTMENT FUND INFORMATION

On February 14, 2005, the Insurance Commission (“IC”) approved the license of The Insular Life Assurance Co., Ltd. (the “Company”) to sell variable-unit linked (“VUL”) insurance contracts, a life insurance product that is linked to investment in Insular Life Wealth Series Funds (the “Separate Funds”). The Separate Funds of the Company consisted of Philippine Peso (“Peso”) Investment Funds which include Balanced Fund, Peso Fixed Income Fund and Equity Fund (established and launched to the public on March 8, 2005), and United States Dollar (“Dollar”) Investment Funds which include Dollar Fixed Income Fund (established and launched to the public on September 24, 2007). The other Peso Investment Funds which include Growth Fund, Asian Emerging Companies Peso Fund, Philippine Equity Advantage Fund Tranche 1, Philippine Equity Advantage Fund Tranche 2, Select Equities Fund, Peso Money Market Fund, Guardian Fund and Peso Global Equity Fund were established and launched to public in February 2011, October 2011, September 2012, February 2014, April 2014, January 2015, January 2016, June 2016 and July 2017, respectively. The other Dollar Investment Funds which include China Prime Fund Tranche 1, China Prime Fund Tranche 2, Asia Dynamic Equity Fund, Asian Emerging Companies Dollar Fund, Euro Blue Chips Dollar Fund, and Dollar Money Market Fund were established and launched to the public in June 2012, July 2012, February 2013, May 2013, July 2014, and January 2016, respectively.

The Strategic Resources Fund matured in October 2016.

Following are the investment objectives of the Separate Funds:

Peso Investment Funds

Balanced Fund

This is a fund that simultaneously provides long-term growth and steady income. It invests in prime-rated stocks that are listed in the Philippine Stock Exchange (“PSE”) and in government securities, bonds issued by, and term loans extended to prime Philippine corporations and short-term money market instruments.

Fixed Income Fund

This is a fund that invests in debt obligations and debentures issued by corporations, or by the government. These include government securities, fixed income instruments issued by Philippine corporations and short-term money market instruments.

Equity Fund

This is a fund that provides long-term total return and capital appreciation by investing primarily in dividend-paying shares of local companies with large capitalization and growth potential, and which are listed in the PSE. It also invests in short-term money market instruments.

Growth Fund

This is a fund that provides long-term growth and capital appreciation by investing largely in medium to largely capitalized listed companies in the PSE leaning towards those with significant growth potential. It also invests in short-term money market instruments.

Strategic Resources Fund

This is a fund that was offered for a limited period from August to September 2011. The objective of this fund is to deliver competitive returns on peso-denominated variable life insurance by investing in a structured note linked to the global resources of energy and agribusiness.

This fund is fully invested in a 5-year, Peso-linked, Dollar-structured note issued by ING Bank N.V. in October 2011. The structured note provides principal protection at maturity and an upside potential determined through participation in the performance of ING customized index which is allocated between cash and equities of SPDR S&P Oil & Gas Exploration & Production ETF (XOP US Equity) and Market Vectors Agribusiness ETF (MOO US Equity).

This fund, with 325,000 total units, matured on October 6, 2016. This fund's net asset value per unit (NAVPU) at maturity amounted to Php 1,108.30.

Asian Emerging Companies Fund

This is a fund that was offered for a limited period in September 2012. The objective of this fund is to deliver competitive returns on peso-denominated variable life insurance by investing in a structured note linked to the small-capitalized companies in Asia.

This fund is fully invested in a 7-year, Peso-linked, Dollar-structured note issued by ING Bank N.V. in September 2012. The structured note provides principal protection at maturity and an upside potential determined through a participation in the performance of ING Asian Emerging Companies Index VT 10% Index.

Philippine Equity Advantage Fund - Tranche 1

This is a fund that was offered for a limited period in February 2014. The objective of this fund is to deliver competitive returns on peso-denominated variable life insurance by investing in a structured note linked to a custom index exposed to the Philippine Equity market.

This fund is fully invested in a 7-year, Peso-Denominated, Dollar-settled structured note issued by BNP Paribas in February 2014. The structured note provides principal protection at maturity and an upside potential determined through a participation in the performance of Insular Philippine Equity PHP VT 10% Index.

Philippine Equity Advantage Fund - Tranche 2

This is a fund that was offered for a limited period in April 2014. The objective of this fund is to deliver competitive returns on peso-denominated variable life insurance by investing in a structured note linked to a custom index exposed to the Philippine Equity market.

This fund is fully invested on a 7-year, Peso-Denominated, Dollar-settled structured note issued by BNP Paribas in April 2014. The structured note provides principal protection at maturity and an upside potential determined through a participation in the performance of Insular Philippine Equity PHP 2 VT 10% Index.

Select Equities Fund

This is a fund that provides long-term portfolio growth from capital appreciation by primarily investing in ten (10) of the most liquid and

well-capitalized dividend-paying stocks listed in the PSE. It also invests in short-term money market instruments.

Guardian Fund

The Fund is an actively managed fund primarily investing in ten (10) of the most liquid and well-capitalized dividend-paying stocks listed in the PSE. It also invests in short-term money market instruments. The set of rules and criteria that cover the stock selection process is a continuation of Select Equities Fund (SEF) wherein dividend payments, free float market capitalization, and average monthly turnover will all be taken into consideration.

Peso Money Market Fund

This is a fund designed to provide stable returns while maintaining adequate liquidity through investments in peso denominated short-term securities. This is a very conservative fund with low risk classification given that the investments entered into are comprised mainly of cash and near-cash investments.

Peso Global Equity Fund

This fund aims to achieve long-term growth and capital appreciation by investing majority of its assets in instruments whose principal exposure is in income-producing equity securities in markets throughout the world. The fund is invested in a local domiciled fund whose underlying investment is an offshore fund (Target Fund) composed of income producing company shares globally.

Dollar Investment Funds

Dollar Fixed Income Fund

This is a fund that seeks to achieve capital preservation and provide income growth over a medium to long term period by investing on a diversified portfolio of Dollar-denominated fixed income instruments issued mainly by the Philippine government and prime corporations.

China Prime Fund - Tranche 1

This is a fund that was offered for a limited period in June 2012. The objective of this fund is to deliver competitive returns on Dollar-denominated variable life insurance by investing in a structured note linked to the select stock companies in China.

This fund is fully invested in a 7-year, Dollar-structured note issued by Citigroup Funding Inc. in July 2012. The structured note, which is guaranteed by Citigroup, Inc., provides principal protection at maturity and an upside potential determined through a participation in the performance of the equity markets in China as represented by the Tracker Fund of Hang Seng Investment Enterprises Index ("HSCEI").

China Prime Fund - Tranche 2

This is a fund that was offered for a limited period in July 2012. The objective of this fund is to deliver competitive returns on Dollar-denominated variable life insurance by investing in a structured note linked to the select stock companies in China.

This fund is fully invested in a 7-year, Dollar-structured note issued by Citigroup Funding Inc. in July 2012. The structured note, which is guaranteed by Citigroup, Inc., provides principal protection at maturity and an upside potential determined through a participation in the performance of the equity markets in China as represented by the Tracker Fund of HSCEI.

Asia Dynamic Equity Fund

This fund was offered for a limited period in February 2013. The objective of this fund is to deliver competitive returns on dollar denominated variable life insurance by investing in a structured note that provides exposure to equities listed in Asia excluding Japan.

This fund is fully invested in a 7-year, Dollar-structured note issued by Standard Chartered Bank in March 2013. It provides payouts from the 1st to the 6th policy anniversary of 0.5% of the in force single premium and an upside potential at maturity determined through a participation in the performance of the Asia Risk Control Investable Index (ARC-I Index).

Asian Emerging Companies Fund

This fund was offered for a limited period in May 2013. The objective of this fund is to deliver competitive returns on Dollar-denominated variable life insurance by investing in a structured note that provides exposure to emerging companies in Asia through a customized risk-control index called ING Asian Emerging Companies VT 10% Index.

The fund is fully invested in a 10-year, Dollar-structured note issued by ING Bank N.V. in May 2013. Maturity benefit of the note is paid out in four equal payouts on the 7th, 8th, 9th, and 10th anniversary. The payout will include both portion of the principal and the upside potential observed during the first 7 years through a participation in the performance of the ING Asian Emerging Companies VT 10% Index.

Euro Blue Chips Dollar Fund

This fund was offered for a limited period in July 2014. The objective of this fund is to deliver competitive returns on Dollar-denominated variable life insurance by investing in a structured note that provides exposure to European Blue-Chip companies through a customized risk-control index called ING European Blue-Chip Companies VT 10% Index.

The fund is fully invested in a 7-year, Dollar-structured note linked to ROP credit issued by ING Bank N.V. in July 2014. The structured note provides principal protection at maturity and an upside potential determined through a participation in the performance of ING European Blue-Chip Companies VT 10% Index.

Dollar Money Market Fund

This is a fund designed to provide stable returns while maintaining adequate liquidity through investments in dollar denominated short-term securities. This is a very conservative fund with low risk classification given that the investments entered into are comprised mainly of cash and near-cash investments.

Balance Fund, Peso Fixed Income Fund, Equity Fund, Growth Fund, Select Equities Fund, Guardian Fund, and Peso Money Market Fund (which are all Peso Investment Funds), and Dollar Fixed Income Fund and Dollar Money Market Fund (which are all Dollar Investment Funds) are classified as “Traditional VUL.”

Strategic Resources Fund, Asian Emerging Companies Fund, Philippine Equity Advantage Fund Tranche 1, and Philippine Equity Advantage Fund Tranche 2 (which are all Peso Investment Funds), and China Prime Fund Tranche 1, China Prime Fund Tranche 2, Asia Dynamic Equity Fund, Asian Emerging Companies Fund, and Euro Blue Chips Dollar Fund (which are all Dollar Investment Funds) are classified as “Structured VUL.”

The Company entered into Service Level Agreement with a third-party multinational bank (the “Fund Administrator”) accredited by the Bangko Sentral ng Pilipinas (“BSP”). Under this agreement, the Fund Administrator shall perform fund accounting and valuation services of the Separate Funds. Custodianship of Separate Funds’ assets is also done by the said third-party multinational bank accredited by the BSP. The Company acts as Fund Manager to the Separate Funds.

The financial statements of the Separate Funds, which were prepared from the accounts maintained by the Fund Administrator, are provided solely for the Company’s use and for submission to the IC.

The financial statements were authorized for issue by the President of the Company on March 22, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

Statement of Compliance

The Separate Funds’ financial statements have been prepared in accordance with Philippine Financial Reporting Standards (“PFRS”).

Basis of Financial Statement Preparation

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (“FVPL”) which are carried at fair value. The financial statements are presented in Philippine Peso, which is the Separate Funds’ functional currency.

The financial statements include the financial statements of the 18 Separate Wealth Series Funds as of and for the years ended December 31, 2017 and 2016, namely: Balanced Fund, Peso Fixed Income Fund, Equity Fund, Growth Fund, Select Equities Fund, Guardian Fund, Peso Money Market Fund, Peso Global Equity Fund, Asian Emerging Companies Fund, Philippine Equity Advantage Fund Tranche 1, and Philippine Equity Advantage Fund Tranche 2, which comprise the Peso Investment Funds, and Dollar Fixed Income Fund, Dollar Money Market Fund, China Prime Fund Tranche 1, China Prime Fund Tranche 2, Asia Dynamic Equity Fund, Asian Emerging Companies Fund, and Euro Blue Chips Dollar Fund, which comprise the Dollar Investment Funds. Inter-fund investments are eliminated in full.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except the amendments to existing PFRS listed below that became effective beginning January 1, 2017 and which did not have any significant impact on the financial statements.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities* - Clarification of the Scope of the Standard (Part of Annual Improvements to PFRS 2014 - 2016 Cycle)
- Amendments to PAS 7, *Statement of Cash Flows* - Disclosure Initiative
- Amendments to PAS 12, *Income Taxes* - Recognition of Deferred Tax Assets for Unrealized Losses

Standards Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. The Company does not expect the future adoption of the said pronouncements to have a significant impact on the financial statements of the Separate Funds unless otherwise indicated. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment* - Classification and Measurement of Share-based Payment Transactions

- PFRS 15, *Revenue from Contracts with Customers*
- Amendments to PAS 28, *Investment in Associates and Joint Ventures* - Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRS 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property* - Transfers of Investment Property
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

In 2017, the Company performed its initial impact assessment of all three phases of PFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information becoming available to the Company when it adopts PFRS 9.

- Amendments to PFRS 4, *Insurance Contracts* - Applying PFRS 9, *Financial Instruments*, with PFRS 4

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9 - Prepayment Features with Negative Compensation
- PFRS 16, *Leases*
- Amendments to PAS 28 - *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments* Deferred effectivity

- Amendments to PFRS 10 and PAS 28 - Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The Company continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2017 on the Separate Funds' financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted.

Fair Value Measurement

Financial instruments in the Separate Funds are measured at fair value at the end of each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in either case as follows:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to

measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the Separate Funds' financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring and non-recurring fair value measurement.

At each reporting date, the management analyzes the movements in the values of assets and liabilities of the Separate Funds which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability, and the level of the fair value hierarchy as explained above.

Financial Instruments

The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date the Company commits to purchase or sell the financial asset. Regular way purchases or sales of financial assets require delivery of financial assets within the time frame generally established by regulation or convention in the market place.

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs, if any, are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at FVPL.

Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities, as appropriate. The Company determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

Financial Assets at FVPL

Financial assets at FVPL include financial assets held-for-trading purposes or designated by management as financial asset at FVPL at initial recognition. Derivative instruments, except those covered by hedge accounting relationships, are classified under this category.

Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term.

Financial assets are designated as at FVPL by management on initial recognition when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the financial assets or recognizing gains or losses on them on a different basis; or
- the assets are part of a group of financial assets, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

These financial assets are subsequently measured at fair market value. Realized and unrealized gains and losses arising from changes in fair market value of financial assets at FVPL are recognized in the statements of comprehensive income. Interest earned on debt securities is recognized as the interest accrues taking into account the effective interest rate. Dividend income on equity securities is recognized according to the terms of the contract or when the right to receive payment has been established.

As of December 31, 2017 and 2016, the Separate Funds' financial assets at FVPL consist of debt securities, equity securities, and inter-fund investments. Inter-fund investments are eliminated in full in the statements of financial position.

After initial measurement, financial assets which are classified as financial assets at FVPL are measured at their fair values in the Separate Funds. The fair value of financial asset is based on their quoted market prices on a recognized exchange or sourced from a reputable counterparty, in the case of non-exchange traded instruments, at the reporting date without any deduction for estimated future selling costs.

Subsequent changes in the fair value of financial assets at FVPL are recognized in the statements of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. These comprise of cash and cash equivalents, subscriptions receivable, investment income receivable, and other receivables.

After initial measurement, such assets are subsequently measured at amortized cost using effective interest rate method less any allowance for impairment. The effective interest rate amortization and loss arising from impairment, if any, are recognized in the statements of comprehensive income.

Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the criteria listed are met:

- the rights to receive cash flows from the financial asset have expired;
- the Separate Funds retain the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Separate Funds have transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but have transferred control of the financial asset.

Where the Separate Funds have transferred rights to receive cash flows from a financial asset and have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Separate Funds’ continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying

amount of the asset and the maximum amount of consideration that the Separate Funds could be required to repay.

Impairment of Financial Assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial asset in the Separate Funds is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interests or principal repayments, the probability that they will enter bankruptcy or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets in the Separate Funds that are individually significant, or collectively, for financial assets that are not individually significant. If the Company determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it include the asset in a group of financial assets with similar credit risk characteristics and collectively

assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statements of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Separate Funds.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the

statements of comprehensive income.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash includes cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Separate Funds and when the revenue can be measured reliably, on the following bases:

Interest income is recognized on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset. Interest income on cash and cash equivalents ("Interest income-deposits" in the statements of comprehensive income) is disclosed separately from interest income on debt securities ("Interest income-debt securities" in the statements of comprehensive income).

Dividend income is recognized when the Separate Funds' rights to receive payment has been established. Dividend income relating to exchange-traded equity investments is recognized in the statements of comprehensive income on ex-dividend date. Property dividend is recognized for the amount of cash dividend alternative with the corresponding debit treated as an additional investment.

Realized gains and losses on investment arise from sale of investments while *unrealized gains and losses on investments* include marked to market valuation of investment held as of reporting date.

exchange rate. Foreign exchange gains or losses are taken to the statements of comprehensive income.

Expense Recognition

All expenses, including administration, custody, and investment management fees, are recognized in the statements of comprehensive income on an accrual basis.

Administration, custody, and investment management fees of the Separate Funds are being charged by the Fund Administrators, Fund Custodians, and the Fund Manager, respectively, as a percentage of the Separate Funds' net asset value before deduction for such expenses and are recognized in the statements of comprehensive income as they accrue.

Transaction costs include charges by brokers for the purchase and sell transactions of equity and debt securities and are recognized in the statements of comprehensive income when incurred.

Government taxes and fees related to the investment income of the Separate Funds are charged to the statements of comprehensive income when incurred.

Foreign Currency Denominated Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the IC

3. CASH AND CASH EQUIVALENTS

2017

	2017										
	Peso Investment Funds							Dollar Investment Funds			
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Guardian Fund	Peso Global Equity Fund	Peso Money Market Fund	Dollar Fixed Income Fund	Dollar Money Market Fund	Combined
Cash in banks	P132,285	P188,973	P1,881,755	P1,558,900	P1,654,787	P992,454	P131,422	P156,830	P48,154,299	P156,195	P55,007,900
Cash equivalents	—	286,243,672	1,048,672,336	557,724,077	135,100,000	213,200,000	15,000,000	184,231,153	251,571,650	89,991,373	2,781,734,261
	P132,285	P286,432,645	P1,050,554,091	P589,282,977	P136,754,787	P214,192,454	P15,131,422	P184,387,983	P299,725,949	P90,147,568	P2,836,742,161

2016

	Peso Investment Funds				Dollar Investment Funds					
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Guardian Fund	Peso Money Market Fund	Dollar Fixed Income Fund	Dollar Money Market Fund	Combined
Cash in banks	P132,985	P186,679	P973,340	P1,276,807	P1,413,025	P1,099,853	P224,269	P220,145,344	P513,578	P225,965,880
Cash equivalents		167,600,000	1,086,458,184	767,827,708	97,800,000	429,800,000	149,308,524	—	56,794,923	2,755,589,339
	P132,985	P167,786,679	P1,087,431,524	P769,104,515	P99,213,025	P430,899,853	P149,532,793	P220,145,344	P57,308,501	P2,981,555,219

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of between one day and three months and earn interest at the prevailing short-term deposit rates. Interest income on bank deposits totaled Php 39,627,102 and Php 16,998,473 in 2017 and 2016, respectively.

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments in Debt Securities

	2017				2017						
	Peso Investment Funds				Dollar Investment Funds						
	Fixed Income Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Dollar Fixed Income Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Euro Blue Chips Dollar Fund	Combined
Acquisition cost	P2,053,222,170	P375,471,000	P305,000,000	P150,000,000	P2,760,916,659	P177,656,000	P77,724,500	P133,242,000	P444,140,000	P328,123,000	P6,805,495,329
Increase (decrease) in value of investments	(86,022,417)	(94,055,485)	(21,441,500)	(12,030,000)	(108,207,777)	17,143,546	6,469,391	13,112,267	12,605,527	36,206,566	(236,219,882)
Fair value	P1,967,199,753	P281,415,515	P283,558,500	P137,970,000	P2,652,708,882	P194,799,546	P84,193,891	P146,354,267	P456,745,527	P364,329,566	P6,569,275,447

	2016				2016						
	Peso Investment Funds				Dollar Investment Funds						
	Fixed Income Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Dollar Fixed Income Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Euro Blue Chips Dollar Fund	Combined
Acquisition cost	P1,463,529,343	P375,471,000	P305,000,000	P150,000,000	P2,850,038,295	P177,656,000	P77,724,500	P133,242,000	P444,140,000	P328,123,000	P6,304,924,138
Increase (decrease) in value of investments	(30,485,471)	(113,542,430)	(32,574,000)	(17,115,000)	(156,845,773)	13,546,219	5,089,613	6,722,567	(12,759,420)	21,225,282	(316,738,413)
Fair value	P1,433,043,872	P261,928,570	P272,426,000	P132,885,000	P2,693,192,522	P191,202,219	P82,814,113	P139,964,567	P431,380,580	P349,348,282	P5,988,185,725

Investments in debt securities include bonds and structured notes (see Note 8).

The following tables present the breakdown of investments in debt securities by contractual maturity as of December 31:

	2017											
	Peso Investment Funds				Dollar Investment Funds							
	Fixed Income Fund	Asian Emerging Companies Fund*	Philippine Equity Advantage Fund Tranche 1*	Philippine Equity Advantage Fund Tranche 2*	Dollar Fixed Income Fund	China Prime Fund Tranche 1*	China Prime Fund Tranche 2*	Asia Dynamic Equity Fund*	Asian Emerging Companies Fund*	Euro Blue Chips Dollar Fund*	Combined	
Due after one year through five years	₱1,120,960,628	₱375,471,000	₱305,000,000	₱150,000,000	₱948,356,029	₱199,692,000	₱87,365,250	₱149,769,000	₱—	₱376,918,650	₱3,713,532,557	
Due after five years	1,675,494,899	—	—	—	2,727,967,451	—	—	—	499,230,000	—	4,902,692,350	
	₱2,796,455,527	₱375,471,000	₱305,000,000	₱150,000,000	₱3,676,323,480	₱199,692,000	₱87,365,250	₱149,769,000	₱499,230,000	₱376,918,650	₱8,616,224,907	

*The contractual maturity disclosed represents the acquisition cost of these securities due to the difficulty in projecting the maturity value of the structured notes based on the best available data.

	2016											
	Peso Investment Funds				Dollar Investment Funds							
	Fixed Income Fund	Asian Emerging Companies Fund*	Philippine Equity Advantage Fund Tranche 1*	Philippine Equity Advantage Fund Tranche 2*	Dollar Fixed Income Fund	China Prime Fund Tranche 1*	China Prime Fund Tranche 2*	Asia Dynamic Equity Fund*	Asian Emerging Companies Fund*	Euro Blue Chips Dollar Fund*	Combined	
Due after one year through five years	₱631,943,178	₱375,471,000	₱305,000,000	₱150,000,000	₱1,010,276,218	₱199,252,000	₱87,172,750	₱149,439,000	₱—	₱376,088,150	₱3,284,642,296	
Due after five years	1,492,355,437				2,910,063,123				498,130,000		4,900,548,560	
	₱2,124,298,615	₱375,471,000	₱305,000,000	₱150,000,000	₱3,920,339,341	₱199,252,000	₱87,172,750	₱149,439,000	₱498,130,000	₱376,088,150	₱8,185,190,856	

*The contractual maturity disclosed represents the acquisition cost of these securities due to the difficulty in projecting the maturity value of the structured notes based on the best available data.

Interest income from investment in debt securities totaled Php 218,309,093 and Php 179,880,766 in 2017 and 2016, respectively.

Investments in Equity Securities

	2017					
	Equity Fund	Growth Fund	Select Equities Fund	Guardian Fund	Peso Global Equity Fund	Combined
Acquisition cost	P6,471,316,608	P3,804,726,688	P4,544,928,661	P743,342,327	398,000,000	P15,962,314,284
Increase in value of investments	1,509,083,844	893,205,356	445,177,431	(18,603,093)	561,064	2,829,424,602
Fair value	P7,980,400,452	P4,697,932,044	P4,990,106,092	P724,739,234	398,561,064	P18,791,738,886

	2016				
	Equity Fund	Growth Fund	Select Equities Fund	Guardian Fund	Combined
Acquisition cost	P4,507,862,408	P3,523,909,492	P5,129,513,546	P643,415,601	P13,804,701,047
Increase in value of investments	685,743,214	495,960,378	(836,423,214)	(76,512,063)	268,768,315
Fair value	P5,193,605,622	P4,019,869,870	P4,293,090,332	P566,903,538	P14,073,469,362

5. RECEIVABLES

	2017										
	Peso Investment Funds							Dollar Investment Funds			
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Guardian Fund	Peso Money Market Fund	Peso Money Market Fund	Dollar Fixed Income Fund	Dollar Money Market Fund	Combined
Investment income receivables:											
Accrued interest	P-	₱19,817,728	₱1,155,430	₱666,673	₱3,002	₱4,738	₱333	₱346,568	₱48,990,914	₱67,982	₱71,053,368
Accrued dividends	-	-	4,777,091	1,749,226	-	783,311	-	-	-	-	7,309,628
Total investment income receivables	-	19,817,728	5,932,521	2,415,899	3,002	788,049	333	346,568	48,990,914	67,982	78,362,996
Subscriptions receivable	165,258	1,611,369	-	1,371,284	-	335,431	9,240,432	8,415	-	-	12,732,189
Other receivables	1,000	23,305	23,889,532	11,280,258	10,489,063	1,161	13,150	-	1,246	-	45,698,715
	₱166,258	₱21,452,402	₱29,822,053	₱15,067,441	₱10,492,065	₱1,124,641	₱9,253,915	₱354,983	₱48,992,160	₱67,982	₱136,793,900

2016

	2010 Peso Investment Funds							Dollar Investment Funds		
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Guardian Fund	Peso Money Market Fund	Dollar Fixed Income Fund	Dollar Money Market Fund	Combined
Investment income receivables:										
Accrued interest	P-	P14,820,589	P1,000,223	P535,974	P1,304	P18,440	P258,161	P50,107,250	P48,911	P66,790,852
Accrued dividends	-	-	1,579,505	1,825,703	3,787,393	245,981	-	-	-	7,438,582
Total investment income receivables	-	14,820,589	2,579,728	2,361,677	3,788,697	264,421	258,161	50,107,250	48,911	74,229,434
Subscriptions receivable	694,556	856,448	8,881,755	1,669,108	-	273,534	977,573	351,801	-	13,704,775
Other receivables	1,000	-	15,380	969	-	1,193	-	1,246	-	19,788
	P695,556	P15,677,037	P11,476,863	P4,031,754	P3,788,697	P539,148	P1,235,734	P50,460,297	P48,911	P87,953,997

- Accrued interest receivable pertains to interest earned on investments in debt securities and short-term investments but not yet credited to the Separate Funds as of reporting date. Interest rates for such investments range from 0.500% to 10.625% for both in 2017 and 2016.
- Accrued dividend receivables are noninterest-bearing and pertain to dividends earned on investment in equity securities but not yet received by the Separate Funds. Dividend income from investment in equity securities totaled Php 271,253,071 and Php 249,182,722 in 2017 and 2016, respectively.
- Subscription receivable pertains to value of units subscribed but not yet received as at reporting date.
- Other receivable includes due from Fund Manager and outstanding sales as at reporting period. Inter-fund receivable of Peso Fixed Income Fund amounting Php 1,908,378 and Php 1,466,081 in 2017 and 2016, respectively; and inter-fund receivable of Equity Fund amounting Php 1,908,378 and Php 1,466,081 in 2017 and 2016, respectively, have been eliminated in full (see Note 6).

6. ACCOUNTS PAYABLE AND ACCRUED AND OTHER LIABILITIES

December 31, 2017

	Peso Investment Funds							Dollar Investment Funds			
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Guardian Fund	Peso Global Equity Fund	Peso Money Market Fund	Dollar Fixed Income Fund	Dollar Money Market Fund	Combine
Accounts payable -											
Due to broker	P-	P-	P 69,686,969	P5,611,530	P-	P4,435,115	P-	P-	P-	P-	P79,733,614
Due to related party	-	1,309	108,536,635	-	64,391,456	-	-	-	1,241,066	5,425	174,175,891
	-	1,309	178,223,604	5,611,530	64,391,456	4,435,115	-	-	1,241,066	5,425	253,909,505
Accrued and other liabilities:											
Management fees payable (Note 7)	-	2,964,909	15,246,103	9,054,916	7,679,775	1,621,879	385,458	67,350	3,938,391	35,027	40,993,808
Administration fees payable (Note 7)	83,264	108,713	419,268	249,010	241,364	44,602	19,273	8,324	144,406	4,328	1,322,552
Custody fees payable (Note 7)	-	33,679	142,485	88,417	92,816	12,503	-	-	101,560	-	471,460
Professional fees payable	-	65,202	65,202	65,202	65,202	63,990	-	-	65,214	-	390,012
Transaction fees payable	-	-	46,571	5,500	1,400	1,000	-	-	-	-	54,471
Taxes and other payables	-	3,541	94,481	36,749	26,403	4,452	262	154	3,457	79	169,758
	83,264	3,176,044	16,014,110	9,499,794	8,106,960	1,748,426	404,993	75,828	4,253,028	39,434	43,401,881
	P83,264	P3,177,353	P 194,237,714	P 15,111,324	P72,498,416	P 6,183,541	P404,993	P75,828	P5,494,094	P44,859	P297,311,386

December 31, 2016

	Peso Investment Funds							Dollar Investment Funds		
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Guardian Fund	Peso Money Market Fund	Fixed Income Fund	Dollar Money Market Fund	Combined
Accounts payable -										
Due to broker	P-	P-	P19,227,672	P3,886,944	P-	P4,784,833	P-	P-	P-	P27,899,449
Due to related party	-	1,309	1,309	-	873,727	-	39,364,823	-	4,390	40,245,558
	-	1,309	19,228,981	3,886,944	873,727	4,784,833	39,364,823	-	4,390	68,145,007
Accrued and other liabilities:										
Management fees payable (Note 7)	-	2,099,078	10,755,790	8,331,251	6,650,930	1,731,945	48,304	3,834,037	22,215	33,473,550
Administration fees payable (Note 7)	63,185	59,934	283,083	229,109	209,029	47,628	5,970	140,606	2,747	1,041,291
Custody fees payable (Note 7)	-	24,491	96,058	76,743	81,576	9,655	-	102,833	-	391,356
Professional fees payable	-	35,033	35,032	35,033	35,033	15,924	-	35,031	-	191,086
Transaction fees payable	-	179	59,468	6,283	5,848	7,622	-	2,913	-	82,313
Taxes and other payables	-	-	47,271	20,167	-	2,001	188	1,445	55	71,127
	63,185	2,218,715	11,276,702	8,698,586	6,982,416	1,814,773	54,462	4,116,865	25,017	35,250,723
	P63,185	P2,220,024	P30,505,683	P12,585,530	P7,856,143	P6,599,608	P39,419,285	P4,116,865	P29,407	P103,395,730

The accounts payable and accrued and other liabilities of Balanced Fund for 2017 and 2016 in the above table are net of inter-fund receivables and payables (see Notes 5 and 7).

7. FEES

a) Management fees

Pursuant to the investment management agreement, the Fund Manager is entitled to receive from the Separate Funds an investment management fee equal to 1.5% per annum of the net asset value before deduction of the administration, custody, and investment management fee, of the Peso Fixed Income Fund and Dollar Fixed Income Fund; 1.75% per annum of the net asset value before deduction of the administration, custody, and investment management fee of the Select Equities Fund, 0.445% per annum of the net asset value before deduction of the administration, and investment management fee of the Peso Money Market Fund and Dollar Money Market Fund; and 2.0% per annum of the net asset value before deduction of investment management fee of the Growth Fund, Equity Fund, and Select Equities Fund 2; and 1.1% per annum of the net asset value before deduction of investment management fee of the Peso Global Equity Fund. The other remaining funds are passively managed. Due to this, no investment management fee was incurred in 2017 and 2016 related to these funds.

Investment management fees expense amounted to Php 439,959,402 and Php 367,190,730 in 2017 and 2016, respectively. Investment management fees payable outstanding as of December 31, 2017 and 2016 amounted to Php 40,993,808 and Php 33,473,550, respectively (see Note 6).

b) Administration fees

Pursuant to the Service Level Agreement, the Fund Administrator is entitled to receive administration fee payable monthly in arrears and calculated at 5.5 basis points per annum based on the net asset

value before deduction of the administration, custody, and investment management fees. Funds without administration fee incurred in 2017 and 2016 are passively administered.

Administration fees expense amounted to Php 14,242,585 and Php 12,013,893 in 2017 and 2016, respectively. Administration fees payable outstanding as of December 31, 2017 and 2016 amounted to Php 1,322,552 and Php 1,041,291, respectively (see Note 6).

c) Custody fees

Pursuant to the Service Level Agreement, the Fund Custodian is entitled to receive between 2.0 to 3.0 basis points per annum based on the total portfolio asset value of the Separate Funds. Structured notes are held at the custody of the Company and as such there was no custody fee expense incurred for all structured notes in 2017 and 2016 (see Note 6).

Custody fees expense amounted to Php 4,521,125 and Php 4,340,956 in 2017 and 2016, respectively.

Outstanding balances of custody fees payable amounted to Php 471,460 and Php 391,356 as of December 31, 2017 and 2016, respectively (see Note 6).

8. FINANCIAL INSTRUMENTS

The following tables summarize the financial instruments by category of the Separate Funds as of December 31:

	2017		2017		
	Peso Investment Funds		Dollar Investment Funds		
	Fair Value through profit or loss	Loans and receivables	Fair Value through profit or loss	Loans and receivables	Total
<i>Financial assets</i>					
Traditional VULs:					
Cash and cash equivalents	P—	P2,446,868,644	P—	P389,873,478	P2,836,742,122
Equity securities - quoted*	18,791,738,886	—	—	—	18,791,738,886
Debt securities - quoted fixed interest rates	1,967,199,753	—	2,652,708,877	—	4,619,908,630
Subscriptions receivable	—	12,732,189	—	—	12,732,189
Investment income receivable	—	29,304,100	—	49,058,920	78,363,020
Other receivables	—	45,697,469	—	1,246	45,698,715
Structured VULs	702,944,015	—	1,246,422,797	—	1,949,366,812
	P21,461,883,654	P2,534,602,402	P3,899,131,674	P 438,933,644	P28,334,550,374

*includes unit investment trust fund amounting to P398,561,064

	2017	
	Peso Investment Funds	Dollar Investment Funds
	Other financial liabilities	Other financial liabilities
		Total
Financial liabilities		
Accounts payable	₱252,663,014	₱1,246,510
Accrued and other liabilities*	38,943,377	4,288,978
	₱291,606,391	P = ₱5,535,488
		₱297,141,879

*Excluding taxes payable amounting P169,499

INSULAR LIFE WEALTH SERIES FUNDS

NOTES TO FINANCIAL STATEMENTS

	2016				
	Peso Investment Funds		Dollar Investment Funds		Total
	Fair Value through profit or loss	Loans and receivables	Fair Value through profit or loss	Loans and receivables	
<i>Financial assets</i>					
Traditional VULs:					
Cash and cash equivalents	P—	P2,704,101,374	P—	P277,453,845	P2,981,555,219
Equity securities - quoted	14,073,469,362	—	—	—	14,073,469,362
Debt securities - quoted fixed interest rates	1,433,043,872	—	2,693,192,522	—	4,126,236,394
Subscriptions receivable	—	13,352,974	—	351,801	13,704,775
Investment income receivable	—	24,073,273	—	50,156,161	74,229,434
Other receivables	—	18,542	—	1,246	19,788
Structured VULs	667,239,570	—	1,194,709,761	—	1,861,949,331
	P16,173,752,804	P2,741,546,163	P3,887,902,283	P327,963,053	P23,131,164,303

	2016		
	Peso Investment Funds		Total
		Other financial liabilities	
<i>Financial liabilities</i>			
Accounts payable		P68,140,617	P68,145,007
Accrued and other liabilities*		31,027,440	35,164,964
		P99,168,057	P103,309,971

*Excluding taxes payable amounting P85,759

The carrying values of loans and receivables and other financial liabilities approximate their fair values since these are short term in nature.

The following table presents the fair value hierarchy of the financial assets at FVPL as at December 31, 2017 and 2016:

	2017			
	Level 1	Level 2	Level 3	Total
Equity securities*	₱18,791,738,886	₱—	₱—	₱18,791,738,886
Debt securities:				
Traditional VULs:				
Local currency	1,967,199,753	—	—	1,967,199,753
Foreign currency	2,652,708,877	—	—	2,652,708,877
Structured VULs:				
Local currency	—	—	702,944,015	702,944,015
Foreign currency	—	—	1,246,422,797	1,246,422,797
	₱23,411,647,516	₱—	₱1,949,366,812	₱25,361,014,328

**includes unit investment trust fund amounting to ₱398,561,064*

	2016			
	Level 1	Level 2	Level 3	Total
Equity securities	₱14,073,469,362	₱—	₱—	₱14,073,469,362
Debt securities:				
Traditional VULs:				
Local currency	1,433,043,872	—	—	1,433,043,872
Foreign currency	2,693,192,522	—	—	2,693,192,522
Structured VULs:				
Local currency	—	—	667,239,570	667,239,570
Foreign currency	—	—	1,194,709,761	1,194,709,761
	₱18,199,705,756	₱—	₱1,861,949,331	₱20,061,655,087

The fair values of financial assets at FVPL on Level 1 category are based on the quoted market prices.

The following table shows the reconciliation of the beginning and ending balances of Level 3 financial assets at FVPL as of December 31:

	2017	2016
Peso		
Beginning balance	₱667,239,570	₱1,000,320,732
Maturities	—	(360,198,215)
Fair value gain	35,704,445	27,117,053
Ending balance	702,944,015	667,239,570
USD		
Beginning balance	1,194,709,761	1,112,094,805
Maturities	—	—
Fair value gain	49,074,808	19,129,585
Foreign exchange adjustments	2,638,228	63,485,371
Ending balance	1,246,422,797	1,194,709,761
Total Level 3 financial assets	₱1,949,366,812	₱1,861,949,331

There were no transfers within different levels of the fair value hierarchy in 2017 and 2016.

The structured notes can be decomposed into bond components and option components. Fair value of structured notes has been computed by counterparties using present value calculations and option pricing models as applicable. The valuation requires management to make certain assumptions about the model inputs particularly the credit spread of the issuer. The model also used certain market observable inputs including credit default swap (CDS) of the ROP, USD interest rate swap rates (IRS) (for the USD denominated issuances), and USD/PHP cross currency swap rates (for the PHP-denominated issuances). The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of the fair value of structured notes.

The analysis of the fair market value of the structured notes as of December 31 is performed for the reasonable possible movement in the significant inputs other than quoted prices included within Level 1, with all other variables held constant, showing the impact to profit and loss follows:

	Significant observable input other than quoted prices included within Level 1	Range level at yearend	Sensitivity of the input to fair value
2017	ROP CDS level (3yrs-8yrs)	67 basis points	50 basis points increase or decrease in ROP CDS would result in the decrease and increase in market value of the note by ₱15,612,970 and ₱15,975,835, respectively.
	USD IRS (3yrs-8yrs)	215-229 basis points	50 basis points increase or decrease in USD IRS would result in the decrease and increase in market value of the note by ₱17,668,485 and ₱18,056,722, respectively.
	PHP IRS (1yr-6yrs)	365-375 basis points	50 basis points increase or decrease in PHP IRS would result in the decrease and increase in market value of the note by ₱9,135,438 and ₱9,299,048, respectively.
2016	ROP CDS level (3yrs-8yrs)	110 basis points	50 basis points increase or decrease in ROP CDS would result in the decrease and increase in market value of the note by ₱18,834,358 and ₱19,359,842, respectively.
	USD IRS (3yrs-8yrs)	167-214 basis points	50 basis points increase or decrease in USD IRS would result in the decrease and increase in market value of the note by ₱22,183,560 and ₱22,767,053, respectively.
	PHP IRS (1yr-6yrs)	345-365 basis points	50 basis points increase or decrease in PHP IRS would result in the decrease and increase in market value of the note by ₱12,258,041 and ₱12,532,393, respectively.

The analysis of the fair market value of the structured notes as of December 31 is performed for the reasonably possible movement in the significant unobservable inputs with all other variables held constant, showing the impact to profit and loss follows:

Peso denominated notes

	Significant unobservable input	Range level at yearend	Sensitivity of the input to fair value
2017	Bank CDS level (1-7 years)	51-118 basis points	A 50 basis points increase (decrease) in CDS would result in the decrease and increase in fair value of the note by ₱9,135,438 and ₱9,299,048 , respectively.
2016	Bank CDS level (1-7 years)	51-118 basis points	A 50 basis points increase (decrease) in CDS would result in the decrease and increase in fair value of the note by ₱12,258,041 and ₱12,532,393 , respectively.

Note: The sensitivity is only applied to the bond portion of the structured notes. Further, the results of the sensitivity do not reflect stressed scenarios due to the non-linearity characteristics of the product.

Dollar denominated notes

	Significant unobservable input	Range level at yearend	Sensitivity of the input to fair value
2017	ROP CDS level (3-8 years)	55-120 basis points	50 basis points increase or decrease in ROP CDS would result in the decrease and increase in market value of the note by P17,668,485 and P18,056,722 respectively.
2016	ROP CDS level (3-8 years)	55-120 basis points	50 basis points increase or decrease in ROP CDS would result in the decrease and increase in market value of the note by P22,183,560 and P22,767,053, respectively.

Note: The sensitivity is only applied to the bond portion of the structured notes. Further, the results of the sensitivity do not reflect stressed scenarios due to the non-linearity characteristics of the product.

The Bank CDS level is based on the closest available CDS maturity of the counterparty matched to the remaining maturity of the structured notes. Further, the Bank CDS is a proxy for the funding cost of the counterparty which is considered as a significant unobservable input.

The estimates are based on assumptions that if altered can change the analysis expressed herein. This shall not constitute a representation or warranty as to future performance of the structured notes. Further, past performance is not indicative of future results.

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial instruments of the Separate Funds consist mainly of cash and cash equivalents, financial assets at FVPL, receivables, accounts payable and accrued and other liabilities excluding taxes. The overall risk management program of the Separate Funds focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. The Separate Funds is exposed to credit risk, liquidity risk, equity price risk, fair value interest rate risk, and foreign currency risk. These risks arise from open positions in interest rate, currency, and equity products, all of which are exposed to general and specific market movements.

Credit risk

Credit risk is the risk that the Separate Funds will incur a loss because its counterparties failed to discharge their contractual obligations. The Separate Funds' exposure to credit risk arises from default of the counterparty, with a maximum credit exposure equal to the carrying amount of the financial assets of the Separate Funds.

As of December 31, 2017 and 2016, all of the Separate Funds' financial assets are neither past due nor impaired.

The Separate Funds use a credit rating concept based on the borrowers' and counterparties' overall creditworthiness, as follows:

- Investment grade - rating given to borrowers and counterparties who possess strong to very strong capacity to meet their obligations;

- Non-investment grade - rating given to borrowers and counterparties who possess above average capacity to meet their obligations.

As of December 31, 2017 and 2016, all of the Separate Funds' financial assets fall under investment grade category.

Risk concentrations of the maximum exposure to credit risk

The Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, and limits on investment in each industry or sector.

The following table presents the Separate Funds' concentration of credit risk in its debt securities portfolio by industrial distribution as percentage of total debt securities as of December 31:

	2017	2016
Government	66%	65%
Financial institutions	30%	31%
Electricity, energy, power, and water	2%	3%
Others	2%	1%
Total	100%	100%

Liquidity risk

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

The Separate Funds manage liquidity through a group liquidity risk policy which determines what constitutes liquidity risk for the Separate Funds, specify minimum proportion of funds to meet emergency calls, set up of contingency funding plans, specify the sources of funding and the events that would trigger the plan, and determine concentration of funding sources, report of liquidity risk exposures, and breaches to the monitoring authority.

As of December 31, 2017 and 2016, the Separate Funds' other financial liabilities excluding taxes payable amounting to Php 297,141,887 and Php 103,309,971, respectively, have maturities of less than one year. The Separate Funds has cash amounting to Php 2,836,742,161 and Php 2,981,555,219 as of December 31, 2017 and 2016, respectively, which are due on demand that can be used to settle financial liabilities.

Equity price risk

The Separate Funds' equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Separate Funds are exposed to equity price risk because of investments held under Equity Fund, Growth Fund, Select Equities Fund, and Select Equities Fund 2 which are classified in the statements of financial position as financial assets at FVPL. The following table demonstrates the sensitivity to a reasonable possible change in the price of equity securities as of December 31:

	2017		2016
Change in Quoted Prices of Investments Carried at Fair Value	Effect on Net Asset Value Attributable to Unitholders	Change in Quoted Prices of Investments Carried at Fair Value	Effect on Net Asset Value Attributable to Unitholders
50 basis points rise	₱810,485,353	50 basis points rise	₱65,867,888
50 basis points fall	(810,485,353)	50 basis points fall	(65,867,888)

Risk concentrations of the maximum exposure to equity price risk

The Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, and limits on investment in each industry or sector.

The following table analyses the Separate Funds' concentration of equity price risk in its equity portfolio by industrial distribution as percentage of total equity securities as of December 31:

	2017	2016
Holding Firms	25%	28%
Property	16%	14%
Banks	14%	14%
Food, beverage, and tobacco	12%	13%
Electricity, energy, power, and water	10%	14%
Retail	7%	7%
Telecommunications	5%	5%
Construction, Infrastructure & Allied Services	3%	1%
Mining	3%	2%
Others	5%	2%
Total	100%	100%

Fair value interest rate risk

Fair value interest rate risk arises from the possibility that changes in interest rates will affect the fair values of investment in debt securities under FVPL. The exposure of the Separate Funds to market risk for changes in interest rates is related primarily to investments under the Peso Fixed Income Fund and Dollar Fixed Income Fund, which are classified in the statements of financial position as financial assets at FVPL.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates:

2017		2016	
Change in Market Rate of Interest	Effect on Net Asset Value Attributable to Unitholders	Change in Market Rate of Interest	Effect on Net Asset Value Attributable to Unitholders
25 basis points rise	(₱78,152,543)	25 basis points rise	(₱51,932,587)
25 basis points fall	81,973,183	25 basis points fall	54,731,103

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Separate Funds' foreign currency-denominated assets and liability as of December 31 consist of the following:

	2017		2016	
	United States Dollar Value	Peso Equivalent	United States Dollar Value	Peso Equivalent
Assets				
Traditional VULs:				
Cash and cash equivalents	US\$7,809,497	₱389,873,517	US\$5,569,908	₱277,453,845
Debt securities	53,136,007	2,652,708,882	54,066,058	2,693,192,522
Investment income receivable	982,691	49,058,896	1,006,889	50,156,161
Subscription receivable	—	—	7,062	351,801
Other receivables	25	1,246	25	1,246
Structured VULs	24,966,905	1,246,422,797	23,983,895	1,194,709,761
	US\$86,895,125	₱4,338,065,338	US\$84,633,837	₱4,215,865,336
Liability				
Accounts payable	US\$24,968	₱1,246,491	US\$222,675	₱10,502,688
Accrued and other liabilities	85,982	4,292,462	67,620	3,189,367
	US\$110,950	₱5,538,953	US\$290,295	₱13,692,055

The foregoing Dollar amounts have been restated to their Peso equivalents using the exchange rate of Php 49.923 and Php 49.813 to US\$1, prevailing spot rate and as recommended by IC, as of December 31, 2017 and 2016, respectively.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on net asset value attributable to unitholders:

2017		2016	
Change in Peso - Foreign Exchange Rate	Effect on Net Asset Value Attributable to Unitholders	Change in Peso - Foreign Exchange Rate	Effect on Net Asset Value Attributable to Unitholders
Peso depreciation of 4.03%	₱174,600,813	Peso depreciation of 2.68%	₱112,874,070
Peso appreciation of 4.03%	(174,600,813)	Peso appreciation of 2.68%	(112,874,070)



inlife
for good

Inlife for good is a mirror of what we stand for and what we do as an organization.

As we reflect on our role in the community, these past one hundred years of service have given us the perspective to look through our core and find that our business – that of securing lives, providing peace of mind and security to families over generations -- is inherently good for policyholders, the community, and our country.

We have always shared the bounty of our blessings, the joys of our success and the prosperity of our business to efforts that uplift the individual, the community and the nation, for the common good, for the higher good.

We recognize too, that as a Filipino company, we are here to stay; we are here to journey with our people no matter the circumstances, no matter the challenges, no matter the obstacles. We are here for good.