



WEALTH SERIES REPORT TO POLICYHOLDERS

**A Strengthened Economy,
Invested in the Filipino's Future.**

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MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



Dear Valued Policyholders:
It is my pleasure to report to you how your funds performed during the past year amid the economic conditions that pervaded our country.

The year was a very challenging one for the financial markets. Globally, it was a period marked by uncertainties emanating from the trade wars and the tightening cycle of the US Federal Reserve. On the domestic front, the year was generally characterized by increasing interest rates, and for the most part, a volatile and down trending Philippine Stock market. Such environment resulted from a combination of factors including weaker peso versus the US dollar, rise in domestic inflation mainly on account of the increase in oil prices, implementation of the TRAIN law and high price of rice, and expectations of a slowdown in growth on account of decreased consumer spending.

Indeed, there were many economic challenges, most of which were beyond our control, that affected our investment results in 2018. Despite these, however, I am happy to report to you that your investment remains on solid ground as we managed to temper the impact of the unfavorable financial market conditions on our Wealth Series Funds. We are specifically proud to report that our flagship peso-denominated Equity Fund, which ended the year with a NAVPU of Php 4.538731, managed to outperform the PSE index in 2018. It also continues to best comparable variable equity funds

in the market as well as the PSE index with its 10-year compounded annual growth rate of 16.2%.

The complete information on the performance of the rest of the Wealth Series Funds is provided in the succeeding sections of this annual report.

This 2019 looks promising for both the local equities and fixed income markets as headwinds seen in the previous year have started to dissipate. Domestic inflation and interest rates have receded from their peaks in 2018 while the local bourse has started to post positive returns on the back of interest from both local and foreign investors.

Risks will always be present but be assured that we will continue to prudently manage your investments with the end-view of achieving fund objectives.

On behalf of Insular Life, I wish to thank you all for your faith in us as we work towards providing you a lifetime for good.

mbdulacruz

MONA LISA DE LA CRUZ
President and Chief Executive Officer

PESO FIXED INCOME FUND

FUND PERFORMANCE

Peso Fixed Income Fund ended 2018 with a Net Asset Per Value (NAVPU) of Php 1.770283, posting a negative year-on-year return of 5.02% amid an increasing interest rate environment fueled by a sharp inflation acceleration and tightening of monetary policy. The Fund continues to invest in a mix of government and corporate bonds and short-term securities.

MARKET REVIEW

Local bond yields rose by nearly 300 basis points (bps) in 2018 causing severe downward pressure on bond prices across all tenors. The key factors that contributed to rising yields were: (1) sharp increase in local inflation, (2) aggressive rate hikes by the Bangko Sentral ng Pilipinas (BSP) and US Fed, (3) weakness in PHP currency and; (4) sluggish demand during bond auctions. As early as March 2018, Consumer Price Index (CPI) already broke BSP's threshold registering 4.3%YoY despite the change in index base year to 2012 from 2006. The confluence of the impact of TRAIN Law, rising oil prices and depreciating PHP pushed CPI to 6.7%YoY in September-October, the fastest pace since February 2009. Likewise, PHP was seen trading near its lowest level in 12 years at US\$/Php54 area as the government continue to incur twin deficits to support its massive infrastructure projects. In this backdrop, BSP delivered a total of 175 basis points rate hike, its most aggressive tightening since 2000 to help anchor inflation expectations and partly in reaction to US Fed's simultaneous policy moves with a total of 100 bps rate increases during the year. Amidst an environment of strong monetary policy action both onshore and offshore, slow demand was evident during bond auctions forcing The Bureau of the Treasury (BTr) to issue bonds at higher yields.

Towards yearend, inflation eased to 6.0%YoY in November and declined further to 5.1% in December, ending 2018 with an average inflation of 5.2%. Global crude oil prices, which was cited as key factor driving domestic inflation higher, have collapsed by almost 30% to around US\$60/bbl.; while rice price pressure instantly eased following liberal importation of the commodity. With these developments, the BSP voted to keep benchmark interest rates unchanged in December ending the five aggressive tightening moves during the year.

OUTLOOK

Moving forward, as inflation begin to show signs of easing and with the BSP and US Fed start to sound dovish on policy direction, investors will likely institute a positive view on bonds in anticipation of more stable local interest rates versus last year. Concerns on the country's twin deficit, volatility in global oil prices and uncertainties amid the unresolved US-

FUND MANAGER'S REPORT

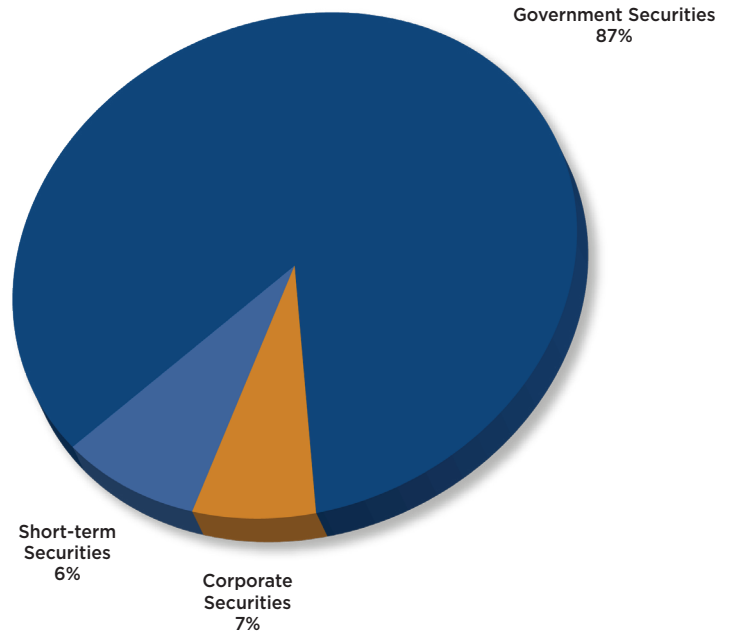
PESO FIXED INCOME FUND

Fund Distribution by Market Value

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



EQUITY FUND

FUND PERFORMANCE

The Equity Fund ended the year with a NAVPU of Php 4.538731, down 10.4% from the previous year. The Fund outperformed the Philippine Stock Exchange Index (PSEi), which declined by 12.8% for the year. Volatility of the Fund remained lower at 12.7% versus the PSEi's 18.0% (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, favoring Holding companies, the property sector and consumer related corporations. Cash position of the Fund was 8.15% by the end of the year as we position towards better 2019.

For 2019, the Fund will remain its bias towards conglomerates, with an upweight on the property and consumer sector as interest rates become more stable and purchasing power improves with a lower inflation print for 2019. This positioning is still consistent with the long-term view given government policies and the Philippine demographic of a strong consumer base.

MARKET REVIEW

2018 was a challenging year for the local equities market. Accelerating inflation, rising interest rates, and uncertainties brought by the escalating US-China trade war were key headwinds that weighed down on investor sentiment throughout the year.

The market started the year on a high note amid optimism on the implementation of the TRAIN law. Expectations that the TRAIN law would further enhance economic activity helped lift the market to breach the 9,000 level for the first time in January.

The market started to correct however as inflation continued to trend higher, stoking concerns that a rising interest rate environment may be imminent. BSP actually raised policy rates five (5) times for a total of 175 bps during the year.

Risk aversion persisted as the US-China trade war continued to intensify. Fears that a full blown trade war between the two (2) biggest economies could result to a slowdown in the global economy kept the market fragile throughout the year.

Net foreign selling for 2018 was Php 60.9 billion, a reversal from the Php 56.2 billion net foreign buying recorded in 2017.

The PSEi ended the year 7,466.02, translating to a year to date decline of 12.8%.

OUTLOOK

2019 is expected to be a better year for equities considering that the headwinds that dragged the market last year are gradually reversing already. Inflation is stabilizing and showing signs of a downward trend, while the US Fed is signaling a slower pace of policy rate hikes this year. The expected increase in consumer spending due to the upcoming elections, and the government's continued commitment on infrastructure spending are also encouraging.

Key risks on the market rebound remain however, given the PHL's twin deficit concerns, and the uncertainties amid the unresolved US-China trade war.

FUND MANAGER'S REPORT

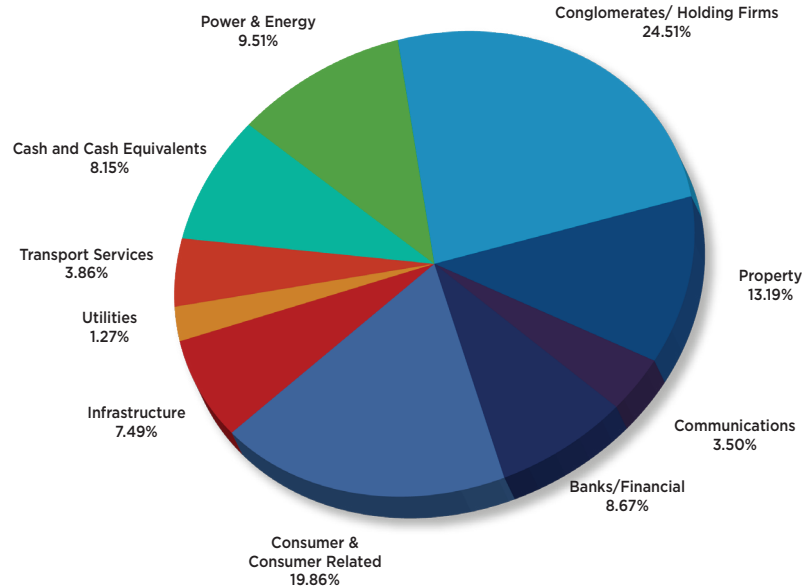
EQUITY FUND STOCK LIST

As of December 31, 2018

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.
EAGLE	Eagle Cement Corporation
EEL	EEL Corporation
EW	East West Banking Corporation
FB	SMC Food & Beverage
FDC	Filinvest Development Corporation
FGEN	FirstGen Corporation
FLI	Filinvest Land Inc.
FPH	First Philippine Holdings
GLO	Globe Telecom
GTCAP	GT Capital Holdings, Inc.
ICT	International Container Terminal Services, Inc.
JFC	Jollibee Foods Corporation
JGS	JG Summit Holdings, Inc.
LPZ	Lopez Holdings, Inc.
MAC	MacroAsia Corp.
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.
PIZZA	Shakey's
RLC	Robinsons Land Corporation
RRHI	Robinsons Retail Holdings, Inc.
SCC	Semirara Mining Corporation
SECB	Security Bank Corporation
SHLPH	Pilipinas Shell Petroleum Corporation
SM	SM Investments Corp.
SMPH	SM Prime Holdings, Inc.
SSI	SSI Group, Inc.
TEL	PLDT, Inc.
URC	Universal Robina Corporation
VLL	Vista Land and Lifescapes, Inc.
WLCON	Wilcon Depot, Inc.

EQUITY FUND

Fund Distribution by Market Value



PESO GLOBAL EQUITY FUND

FUND PERFORMANCE

The Peso Global Equity Fund (PGEF) invests solely in a local fund that feeds into a Target Fund known as Fidelity Funds – Global Dividend Fund. The Target Fund generally invests in income-producing equity securities globally. In 2018, PGEF declined by 2.6% YoY to Php 0.983003 Net Asset Value per Unit (NAVPU).

MARKET REVIEW

The year of 2018 was a rollercoaster ride for global equities as reflected in the performance of the Target Fund during the year. The Target Fund generated positive performance at the start of the year but eventually reversed its course, ending the year in the negative territory. Global equities declined sharply over a volatile fourth quarter amid the prevailing risk-off sentiment in financial markets. Concerns about a possible global economic slowdown and the US Federal Reserve's (Fed) interest rate hikes weighed on sentiment. Continued Brexit-related uncertainties and ongoing US China trade frictions further worried investors. While the US and China reached a 90-day truce to temporarily halt new tariffs and finalize a trade deal, geopolitical uncertainty remained. At a regional level, US equities were weighed down by concerns over instability in Washington, including a partial government shutdown. At the start of the period, investors were concerned around the Fed's aggressive monetary policy stance. Subsequently, though, it took a more pragmatic stance and reduced its projections for rate hikes in 2019. Eurozone equities slid on a sharp slowdown in economic fundamentals, subdued growth prospects and Italy's budget standoff with the European Commission. The European Central Bank (ECB) ended its bond-buying program but kept interest rates unchanged. The political deadlock over the Brexit deal and the deferment of the parliament vote on the UK's withdrawal agreement with the European Union (EU) also hurt UK markets.

Japanese equities fell as the yen rose against the US dollar. Increasing concerns over earnings of export-reliant Japanese corporates further weighed on the market. Elsewhere, emerging markets declined, but outperformed developed markets. At a sector level, energy companies corrected the most as crude oil prices fell due to worries about excess supply and weak demand.

OUTLOOK

The outlook for financial markets remains cautious in view of risks in the current late-cycle environment. Tightening monetary conditions, lukewarm global growth prospects, reescalation of the trade war and concerns over a glut in crude oil supply present headwinds to the global economy and financial markets. Given the defensive approach in stock selection, the Target Fund favors higher quality stocks within financials, stable and income-generating stocks in the technology space and market leaders in the pharmaceuticals sector. The strategy remains unchanged - that is to look for good quality companies with strong balance sheets at attractive valuations which are well-positioned to provide a continuous growth in income and can thrive under a wide range of economic scenarios.

FUND MANAGER'S REPORT

TARGET FUND'S TOP 10 HOLDINGS

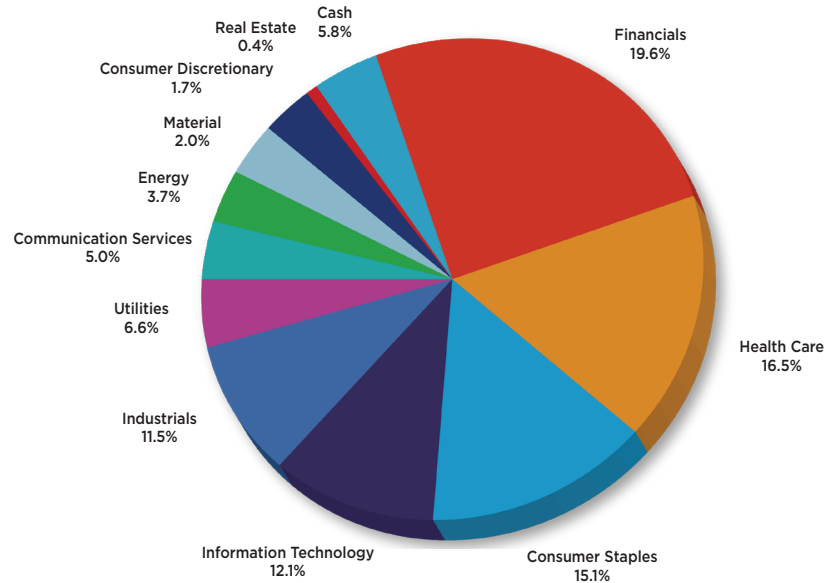
As of December 31, 2018

BBG TICKER

WKL NA Equity	Wolters Kluwer NV
DGE LN Equity	Diageo PLC
PG US Equity	Procter & Gamble Co
DBI GR Equity	Deutsche Boerse AG
ROG SW Equity	Roche Holding Ltd
RDSA LN Equity	Royal Dutch Shell PLC
SAN FP Equity	Sanofi
USB US Equity	US Bancorp Del
2330 TT Equity	Taiwan Semicon. Mfg Co.Ltd
CL US Equity	Colgate-Palmolive Co

PESO GLOBAL EQUITY FUND

Target Fund Distribution by Market Value



GROWTH FUND

FUND PERFORMANCE

Growth Fund closed 2018 with a NAVPU of Php 1.573694, down 14.1% from the previous year. The Fund lagged the Philippine Stock Exchange Index (PSEi), which was down by 12.8% for the year. Underperformance was due to the weakness of consumer stocks, most of which have overweight positions in the portfolio. Sentiment on the consumer sector was dampened by inflationary pressures persistent throughout the period.

The Fund remained overweight on companies exposed in consumer, retail, and infrastructure, all of which were believed to outperform the market during the period. Cash position of the Fund was 8.9% to cushion against expected volatility in 2019.

For 2019, the Fund will still be biased on the infrastructure and consumer sectors, on the back of the government's continued push for infrastructure growth, and expected recovery of consumer demand due to normalizing inflation and election spending. This is consistent with the Fund's long term strategy to overweight exposure in the growth sectors of the Philippine economy.

MARKET REVIEW

2018 was a challenging year for the local equities market. Accelerating inflation, rising interest rates, and uncertainties brought by the escalating US-China trade war were key headwinds that weighed down on investor sentiment throughout the year.

The market started the year on a high note amid optimism on the implementation of the TRAIN law. Expectations that the TRAIN law would further enhance economic activity helped lift the market to breach the 9,000 level for the first time in January.

The market started to correct however as inflation continued to trend higher, stoking concerns that a rising interest rate environment may be imminent. The Bangko Sentral ng Pilipinas (BSP) actually raised policy rates five (5) times for a total of 175 basis points during the year.

Risk aversion persisted as the US-China trade war continued to intensify. Fears that a full blown trade war between the two (2) biggest economies could result to a slowdown in the global economy kept the market fragile throughout the year.

Net foreign selling for 2018 was Php 60.9 billion, a reversal from the Php 56.2 billion net foreign buying recorded in 2017.

The PSEi ended the year 7,466.02, translating to a year to date decline of 12.8%.

OUTLOOK

2019 is expected to be a better year for equities considering that the headwinds that dragged the market last year are gradually reversing already. Inflation is stabilizing and showing signs of a downward trend, while the US Fed is signaling a slower pace of policy rate hikes this year. The expected increase in consumer spending due to the upcoming elections, and the government's continued commitment on infrastructure spending are also encouraging.

Key risks on the market rebound remain however, given the PHL's twin deficit concerns, and the uncertainties amid the unresolved US-China trade war.

FUND MANAGER'S REPORT

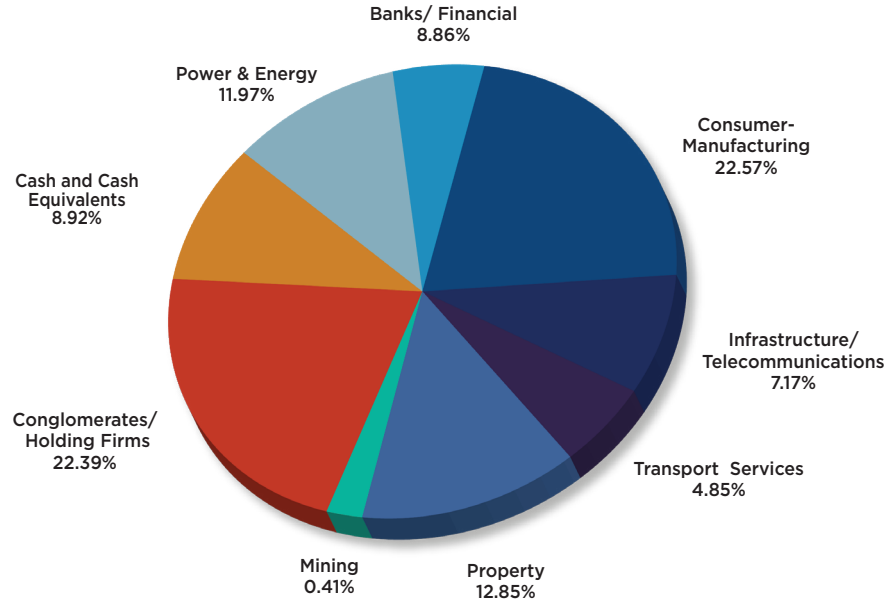
GROWTH FUND STOCK LIST

As of December 31, 2018

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.
DELM	Del Monte Pacific Ltd.
DMC	DMCI Holdings, Inc.
DNL	D and L Industries, Inc.
EEL	EEL Corporation
EW	East West Banking Corporation
FB	San Miguel Food & Beverage, Inc.
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
MAC	MacoAsia Corp.
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
RLC	Robinsons Land Corporation
RRHI	Robinsons Retail Holdings, Inc.
SCC	Semirara Mining Corporation
SECB	Security Bank Corporation
SHLPH	Pilipinas Shell Petroleum 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.
WLCON	Wilcon Depot, Inc.

GROWTH FUND

Fund Distribution by Market Value



O.N.E. FUND (OWN THE NEW ECONOMY)

FUND PERFORMANCE

The ONE Fund was launched last 17 September 2018 and finished the year with a NAVPU of 1.015460, slightly up by 1.54% from its inception.

The focus of the fund is to invest in listed companies in the Philippine Stock Exchange, while keeping in mind the factors that directly contribute to economic growth as measured by changes in the Gross Domestic Product (GDP). As studies have shown, the Philippines is a domestically-consumer driven economy, with a significant potential for growth as we open up the whole country on the backbone of the government's push for a nationwide infrastructure development. With this mindset, as a representation of the economy - the core of our investment is towards listed companies where consumers tend to directly allocate their spending. The other piece of the pie, but still significant, goes into listed companies in the infrastructure/investment capital space.

At the end of the 2018, almost 52% the portfolio has been invested in the consumer space, 17% in the infrastructure related businesses and 31% in cash. In 2019, we aim to grow the core of the portfolio to more than 70%, cash down to 3% to 5% and the balance to the non-consumer space.

MARKET REVIEW

2018 was a challenging year for the local equities market. Accelerating inflation, rising interest rates, and uncertainties brought by the escalating US-China trade war were key headwinds that weighed down on investor sentiment throughout the year.

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Risk aversion persisted as the US-China trade war continued to intensify. Fears that a full blown trade war between the two (2) biggest economies could result to a slowdown in the global economy kept the market fragile throughout the year.

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The PSEi ended the year 7,466.02, translating to a year to date decline of 12.8%.

OUTLOOK

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Key risks on the market rebound remain however, given the PHL's twin deficit concerns, and the uncertainties amid the unresolved US-China trade war.

FUND MANAGER'S REPORT

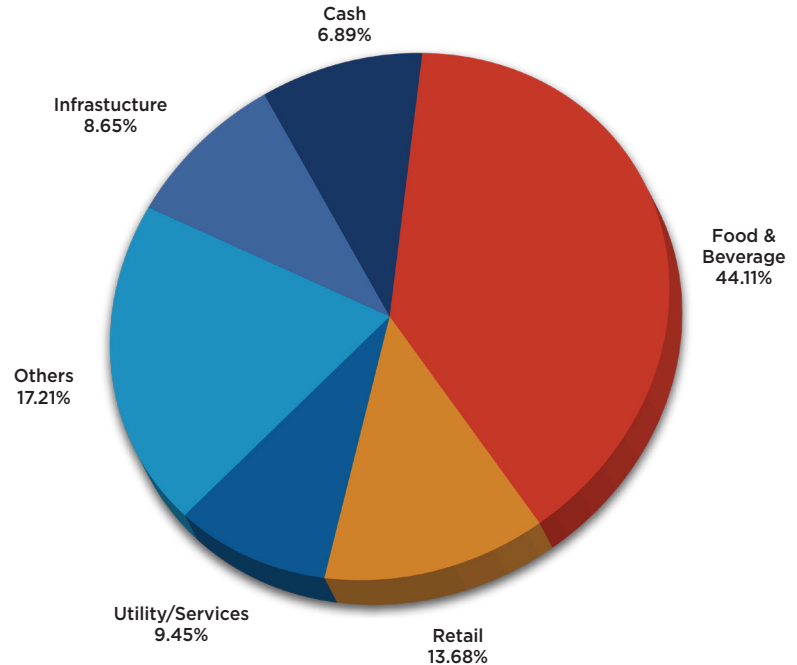
O.N.E FUND STOCK LIST

As of December 31, 2018

AC	Ayala Corporation
ALI	Ayala Land Inc.
CNPF	Century Pacific Food, Inc.
DMC	DMCI Holdings, Inc.
EAGLE	Eagle Cement Corporation
FB	SMC Food & Beverage
JFC	Jollibee Foods Corporation
MAXS	Max's Group, Corp.
MER	Manila Electric Co.
MPI	Metro Pacific Investments, Corp.
MWC	Manila Water Co.
MWIDE	Megawide Construction Corp.
PGOLD	Puregold Price Club, Inc.
PIZZA	Shakey's Pizza Asia Ventures, Inc.
RRHI	Robinsons Retail Holdings, Inc.
SHLPH	Pilipinas Shell Petroleum Corporation
SM	SM Investments Corp.
SMPH	SM Prime Holdings, Inc.
WLCON	Wilcon Depot, Inc.

O.N.E. FUND (OWN THE NEW ECONOMY)

Fund Distribution by Market Value



SELECT EQUITIES FUND

FUND PERFORMANCE

Select Equities Fund (SEF) NAVPU closed 2018 at Php 0.824398, down by 17.4% from the previous year. The Fund lagged the PSEi, which was down by 12.8% for the year. Underperformance was mainly due to the weakness of the banking stocks in the portfolio. Negative sentiment in banks was prompted by lower trading gains across the industry due to rising interest rates. SEF volatility was lower at 17.6% versus PSEi's 18.0% (Note: The volatility was based on the annualized standard deviation of daily returns of the portfolio and the PSEi).

MARKET REVIEW

2018 was a challenging year for the local equities market. Accelerating inflation, rising interest rates, and uncertainties brought by the escalating US-China trade war were key headwinds that weighed down on investor sentiment throughout the year.

The market started the year on a high note amid optimism on the implementation of the TRAIN law. Expectations that the TRAIN law would further enhance economic activity helped lift the market to breach the 9,000 level for the first time in January.

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Risk aversion persisted as the US-China trade war continued to intensify. Fears that a full blown trade war between the two (2) biggest economies could result to a slowdown in the global economy kept the market fragile throughout the year.

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Key risks on the market rebound remain however, given the PHL's twin deficit concerns, and the uncertainties amid the unresolved US-China trade war.

FUND MANAGER'S REPORT

COMPOSITION OF SELECT EQUITIES FUND AS OF 28 DECEMBER 2018 IS AS FOLLOWS:

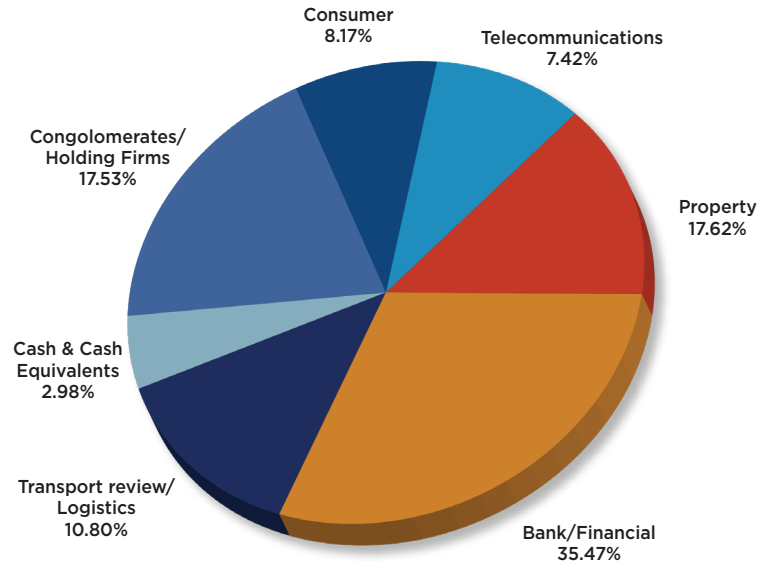
ALI	Ayala Land Inc.
BDO	BDO Unibank
BPI	Bank of the Philippine Islands
ICT	International Container Terminal Services, Inc.
MBT	Metropolitan Bank and Trust Company
MPI	Metro Pacific Investments Corporation
SECB	Security Bank Corporation
SM	SM Investments Corporation
SMPH	SM Prime Holdings Corporation
TEL	PLDT, Inc.
URC	Universal Robina Corporation

RESERVE LIST

AC	Ayala Corporation
GTCAP	GT Capital Holdings, Inc.
JFC	Jollibee Foods Corporation
MEG	Megaworld Corporation
MER	Manila Electric Company

SELECT EQUITIES FUND

Fund Distribution by Market Value



GUARDIAN FUND

FUND PERFORMANCE

Guardian Fund NAVPU closed 2018 at Php 0.720205, down by 7.5% from the previous year. The Fund outperformed the PSEi, which was down by 12.8% for the year. Volatility of the Fund remained lower at 12.9% versus the PSEi's 18.0% (Note: The volatility was based on the annualized standard deviation of daily returns of the portfolio and the PSEi).

Cash position was maintained at 10.2% as the Fund prepares for market volatility ahead.

MARKET REVIEW

2018 was a challenging year for the local equities market. Accelerating inflation, rising interest rates, and uncertainties brought by the escalating US-China trade war were key headwinds that weighed down on investor sentiment throughout the year.

The market started the year on a high note amid optimism on the implementation of the TRAIN law. Expectations that the TRAIN law would further enhance economic activity helped lift the market to breach the 9,000 level for the first time in January.

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Key risks on the market rebound remain however, given the PHL's twin deficit concerns, and the uncertainties amid the unresolved US-China trade war.

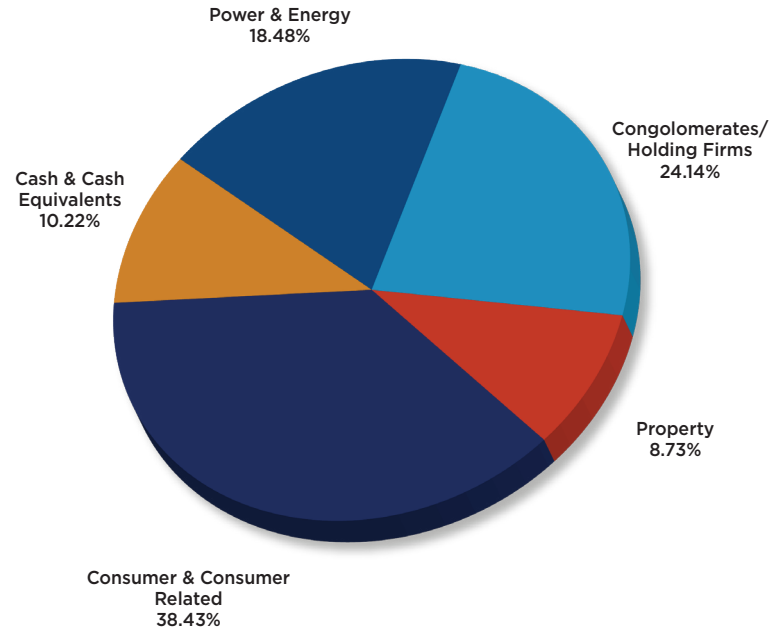
FUND MANAGER'S REPORT

COMPOSITION OF GUARDIAN FUND AS OF 28 DECEMBER 2018 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.
PGOLD	Puregold Price Club, Inc.
RLC	Robinsons Land Corporation
RRHI	Robinsons Retail Holdings, Inc.
SCC	Semirara Mining and Power Corporation

GUARDIAN FUND

Fund Distribution by Market Value



BALANCED FUND

FUND PERFORMANCE

Balanced Fund ended the year with a NAVPU of 2.779523, down 7.9% from the previous year at the back of 12.8% decline in the Philippine stock market index and increasing interest rate environment. The Fund continues to have a balanced exposure in Equities and Fixed Income through InLife's VUL Equity Fund and Peso Fixed Income Fund.

MARKET REVIEW

PSEi declined by 12.8% for the year as headwinds such as accelerating inflation, rising interest rates, and uncertainties brought by the escalating US-China trade war weighed down on investor sentiment throughout the year. The market started the year on a positive note, with the PSEi breaching the 9,000 level for the first time in January. This was amid optimism on the implementation of the TRAIN Law, which was expected to further enhance economic activity. However, the market started to correct as inflation continued to trend higher, stoking concerns that a rising interest rate environment may be imminent. To rein in the upward trend in inflation and help anchor inflation expectations, the Bangko Sentral ng Pilipinas (BSP) raised policy rates five (5) times for a total of 175 basis points during the year. Risk aversion persisted as fears that a full-blown trade war between the US and China could result to a slowdown in the global economy.

Local bond yields rose by nearly 300 basis points in 2018 following sharp increase in local inflation and aggressive rate hikes by the BSP. Onshore inflation reached its fastest pace since February 2009 at 6.7% YoY in September and October amid TRAIN Law impact, rising oil prices and depreciating PHP. As global crude oil prices plunged and constraints on rice supply eased, inflation receded to 6.0% YoY in November and declined further to 5.1% YoY in December, ending 2018 with an average of 5.2%.

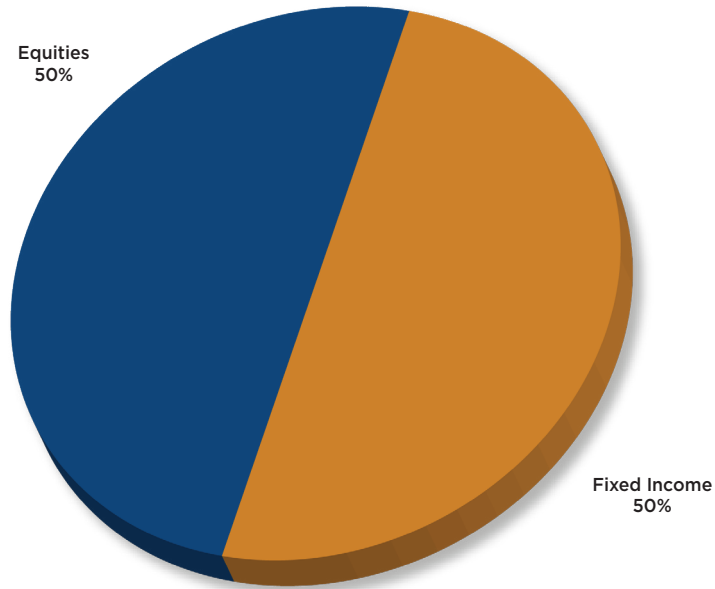
Waning price pressures and lower inflation expectations ended the five (5) aggressive tightening moves of the BSP as it voted to keep benchmark interest rates unchanged in December.

OUTLOOK

As headwinds such as elevated inflation and hawkish policy rates start to gradually reverse, 2019 is expected to be a better year for both equities and fixed income. Key risks on the market rebound remain however, given the PHL's twin deficit concerns, and the uncertainties amid the unresolved US-China trade war.

BALANCED FUND

Fund Distribution by Market Value



DOLLAR FIXED INCOME FUND

FUND PERFORMANCE

In 2018, USD Philippine Sovereign Curve shifted upward by a range of 32 to 148 bps across the curve as compared with its level in 2017. Since yields are inversely related to prices, the Dollar Fixed Income Fund declined by 2.1% YoY to USD1.515650 Net Asset Value per Unit (NAVPU) in 2018.

MARKET REVIEW

Upward movement in yields continued in a steep trajectory at the start of the year as the release of Fed meeting minutes spurred concerns on the possibility of further tax cuts warranting faster rate hikes. Against this backdrop, speculations of four rate hikes, instead of only three, surfaced. In March, the Fed raised interest rates by 25 bps for the first time in the year supported by strong jobs data, improving wages and uptick in inflation. This was followed by a total of 75 bps rate increases in June, September and December, despite the Fed expressing concern on the possible implications of the ongoing trade conflict in the US economy. Trade tensions between the US and its other major trading partners including China caused jitters the whole year among investors. Trade tariffs were imposed left and right on imported products, leaving investors on a risk-off sentiment, which pulled yields partly lower. Moreover, expectations of less government debt issuances amid mix election results in the US, no-deal Brexit concerns, less aggressive monetary policy stance in the US on the back of hints on two rate hikes for 2019 and partial US government shutdown also trimmed the uptrend in yields.

Meanwhile, on the domestic front, higher inflation rate amid passage of TRAIN Law as well as the persistent rise in global oil prices and tighter supply of some agricultural goods was closely monitored. Inflation rate for the year had reached a peak of 6.7% YoY in September, with full year average of 5.2% YoY for 2018. Due to inflationary pressures and other key factors, the BSP raised interest rates by 25 bps for the first time since September 2014 in May and subsequently increased rates by a total of 150 bps in its meeting in June, August, September and November. As the year approached its end, inflation rate gradually eased, registering only 5.1% YoY in December.

OUTLOOK

In the coming year, dovish BSP and Fed monetary policy stance is expected to continue as elevated onshore inflation subsides and the effect of the expansionary fiscal policy in the US starts to taper. Moreover, investors are seen to take cue from the result of the ongoing trade talks between the US and China. Any deterioration in trade talks could spur demand in haven assets such as fixed income securities.

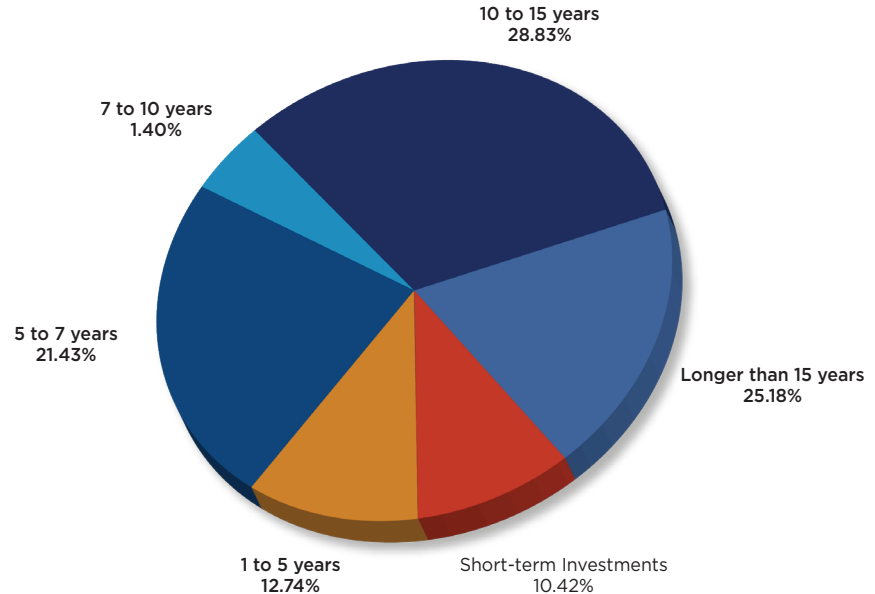
FUND MANAGER'S REPORT

DOLLAR FIXED INCOME FUND

Fund Distribution by Market Value

TOP HOLDINGS

- Republic of the Philippines bond due 2034
- Republic of the Philippines bond due 2031
- Republic of the Philippines bond due 2030
- Republic of the Philippines bond due 2025
- Republic of the Philippines bond due 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 "Separate Funds"), which comprise the statements of financial position as at December 31, 2018 and 2017, 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, 2018 and 2017, 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 Separate 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 Separate Funds or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Separate Fund's 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.

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

INDEPENDENT AUDITORS' REPORT

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, members, 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.



Janet A. Paraiso

Partner

CPA Certificate No.92305

SEC Accreditation No.0778-AR-3 (Group A),

June 19, 2018, valid until June 18, 2021

Tax Identification No.193-975-241

BIR Accreditation No.08-001998-62-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 7332517, January 3, 2019, Makati City

March 28, 2019

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 Separate 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

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF FINANCIAL POSITION

December 31, 2018												
Peso Investment Funds												
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Select Equities Fund	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund	ONE Fund
ASSETS												
Cash and cash equivalents (Note 4)	₱131,801	₱152,269,774	₱977,698,386	₱279,971,594	₱—	₱—	₱—	₱118,141,766	₱276,276,477	₱86,095,291	₱16,100,000	₱28,145,631
Financial assets at fair value through profit or loss (Note 5):												
Debt securities	—	1,921,694,925	—	—	280,289,102	281,332,000	136,905,000	—	—	—	800,437,109	—
Equity securities	—	—	10,723,711,460	4,105,765,084	—	—	—	3,839,856,205	—	758,882,229	—	179,021,270
Investment in fixed income fund	881,318,407	—	—	—	—	—	—	—	—	—	—	—
Investment in equity fund	892,023,843	—	—	—	—	—	—	—	—	—	—	—
Receivables (Note 6):												
Subscriptions receivable	2,101,589	1,800,808	12,539,603	3,174,121	—	—	—	1,060,988	5,994,953	93,915	24,541,848	3,242,546
Investment income receivable	—	21,329,387	6,095,184	1,666,456	—	—	—	425,706	1,030,013	516,326	2,555	32,239
Other receivables	1,000	2,444,979	2,460,997	121,275,070	—	—	—	—	—	—	2,137,110	6,215
	1,775,576,640	2,099,539,873	11,722,505,630	4,511,852,325	280,289,102	281,332,000	136,905,000	3,959,484,665	283,301,443	845,587,761	843,218,622	210,447,901
LIABILITIES (Note 7)												
Accounts payable	3,819,384	1,309	27,766,423	166,950,214	—	—	—	—	—	—	—	14,884,333
Accrued and other liabilities	3,187,348	2,934,032	21,282,790	8,204,132	—	—	—	6,441,942	119,426	1,586,195	925,286	355,830
	7,006,732	2,935,341	49,049,213	175,154,346	—	—	—	6,441,942	119,426	1,586,195	925,286	15,240,163
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS												
	₱1,768,569,908	₱2,096,604,532	₱11,673,456,417	₱4,336,697,979	₱280,289,102	₱281,332,000	₱136,905,000	₱3,953,042,723	₱283,182,017	₱844,001,566	₱842,293,336	₱195,207,738
Number of Units	636,293,096	1,184,191,105	2,572,306,852	2,756,132,339	375,471	305,000	150,000	4,795,714,743	270,259,288	1,172,027,704	856,936,446	192,252,951
Net Asset Value Per Unit	₱2.78	₱1.77	₱4.54	₱1.57	₱746.50	₱922.40	₱912.70	₱0.82	₱1.05	₱0.72	₱0.98	₱1.02

See accompanying Notes to Financial Statements.

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF FINANCIAL POSITION

December 31, 2018									
Dollar Investment Funds									
	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	Dollar Money Market Fund	Balanced Fund Eliminating Entries	Combined Total
ASSETS									
Cash and cash equivalents (Note 4)	₱305,871,251	₱—	₱—	₱—	₱—	₱—	₱140,062,026	₱—	₱2,380,763,997
Financial assets at fair value through profit or loss (Note 5):									
Debt securities	2,624,798,306	206,996,944	90,248,313	151,383,077	479,845,080	371,651,740	—	—	7,345,581,596
Equity securities	—	—	—	—	—	—	—	—	19,607,236,248
Investment in fixed income fund	—	—	—	—	—	—	—	(881,318,407)	—
Investment in equity fund	—	—	—	—	—	—	—	(892,023,843)	—
Receivables (Note 6):									
Subscriptions receivable	—	—	—	—	—	—	—	(2,101,588)	52,448,783
Investment income receivable	51,949,944	—	—	—	—	—	219,352	—	83,267,162
Other receivables	2,051	—	—	—	—	—	—	(4,822,250)	123,505,172
	2,982,621,552	206,996,944	90,248,313	151,383,077	479,845,080	371,651,740	140,281,378	(1,780,266,088)	29,592,802,958
LIABILITIES (Note 7)									
Accounts payable	1,108,926	—	—	—	—	—	1,819	(3,819,384)	210,713,024
Accrued and other liabilities	4,221,263	—	—	—	—	—	61,556	(3,104,453)	46,215,347
	5,330,189	—	—	—	—	—	63,375	(6,923,837)	256,928,371
NET ASSETS									
ATTRIBUTABLE TO UNITHOLDERS	₱2,977,291,363	₱206,996,944	₱90,248,313	₱151,383,077	₱479,845,080	₱371,651,740	₱140,218,003	(₱1,773,342,251)	₱29,335,874,587
Number of Units	37,353,504	4,000	1,750	3,000	10,000	7,550	2,588,156		
Net Asset Value Per Unit	₱79.71	₱51,749.24	₱51,570.46	₱50,461.03	₱47,984.51	₱49,225.40	₱54.18		

See accompanying Notes to Financial Statements.

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF FINANCIAL POSITION

December 31, 2017											
Peso Investment Funds											
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Select Equities Fund	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund
ASSETS											
Cash and cash equivalents (Note 4)	P132,285	P286,432,645	P1,050,554,091	P559,282,977	P–	P–	P–	P136,754,787	P184,387,983	P214,192,454	P15,131,422
Financial assets at fair value through profit or loss (Note 5):											
Debt securities	–	1,967,199,753	–	–	281,415,515	283,558,500	137,970,000	–	–	–	398,561,064
Equity securities	–	–	7,980,400,452	4,697,932,044	–	–	–	4,990,106,092	–	724,739,234	–
Investment in fixed income fund	895,002,214	–	–	–	–	–	–	–	–	–	–
Investment in equity fund	964,306,908	–	–	–	–	–	–	–	–	–	–
Receivables (Note 6):											
Subscriptions receivable	165,258	1,693,998	82,629	1,371,284	–	–	–	–	8,415	335,431	9,240,432
Investment income receivable	–	19,817,728	5,932,521	2,415,899	–	–	–	3,002	346,568	788,049	333
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	281,415,515	283,558,500	137,970,000	5,137,352,944	184,742,966	940,056,329	422,946,401
LIABILITIES (Note 7)											
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	75,828	1,748,426	404,993
	4,065,278	3,177,353	194,237,714	15,111,324	–	–	–	72,498,416	75,828	6,183,541	404,993
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS											
	P1,855,542,387	P2,273,898,454	P8,868,529,889	P5,257,171,138	P281,415,515	P283,558,500	P137,970,000	P5,064,854,528	P184,667,138	P933,872,788	P422,541,408
Number of Units	615,147,088	1,219,933,431	1,751,435,258	2,870,188,306	375,471	305,000	150,000	5,073,176,451	181,044,570	1,198,915,679	417,635,901
Net Asset Value Per Unit	P3.02	P1.86	P5.06	P1.83	P749.50	P929.70	P919.80	P1.00	P1.02	P0.78	P1.01

See accompanying Notes to Financial Statements.

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF FINANCIAL POSITION

December 31, 2017									
Dollar Investment Funds									
	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	Dollar Money Market Fund	Eliminating Entries	Combined
ASSETS									
Cash and cash equivalents (Note 4)	P299,725,949	P—	P—	P—	P—	P—	P90,147,568	P—	P2,836,742,161
Financial assets at fair value through profit or loss (Note 5):									
Debt securities	2,652,708,882	194,799,546	84,193,891	146,354,267	456,745,527	364,329,566	—	—	6,967,836,511
Equity securities	—	—	—	—	—	—	—	—	18,393,177,822
Investment in fixed income fund	—	—	—	—	—	—	—	(895,002,214)	—
Investment in equity fund	—	—	—	—	—	—	—	(964,306,908)	—
Receivables (Note 6):									
Subscriptions receivable	—	—	—	—	—	—	—	(165,258)	12,732,189
Investment income receivable	48,990,914	—	—	—	—	—	67,982	—	78,362,996
Other receivables	1,246	—	—	—	—	—	—	(3,816,756)	45,698,715
	3,001,426,991	194,799,546	84,193,891	146,354,267	456,745,527	364,329,566	90,215,550	(1,863,291,136)	28,334,550,394
LIABILITIES (Note 7)									
Accounts payable	1,241,066	—	—	—	—	—	5,425	(1,883,058)	253,909,505
Accrued and other liabilities	4,253,028	—	—	—	—	—	39,434	(2,098,956)	43,401,881
	5,494,094	—	—	—	—	—	44,859	(3,982,014)	297,311,386
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS									
	P2,995,932,897	P194,799,546	P84,193,891	P146,354,267	P456,745,527	P364,329,566	P90,170,691	(P1,859,309,122)	P28,037,239,008
Number of Units	38,780,102	4,000	1,750	3,000	10,000	7,550	1,770,679		
Net Asset Value Per Unit	P77.25	P48,699.89	P48,110.79	P48,784.76	P45,674.55	P48,255.57	P50.92		

See accompanying Notes to Financial Statements.

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31, 2018												
	Peso Investment Funds											
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Select Equities Fund	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund	ONE Fund
INCOME												
Interest income - deposits (Note 4)	₱270	₱5,679,853	₱40,071,796	₱13,670,845	₱–	₱–	₱–	₱3,277,248	₱10,043,469	₱3,039,245	₱205,899	₱275,048
Interest income - debt securities (Note 5)	–	100,671,746	–	–	–	–	–	–	–	–	–	–
Dividends (Note 6)	–	–	171,540,454	76,020,054	–	–	–	65,114,438	–	13,061,525	16,016,930	423,498
	270	106,351,599	211,612,250	89,690,899	–	–	–	68,391,686	10,043,469	16,100,770	16,222,829	698,546
EXPENSES												
Management fees (Note 8)	–	32,255,766	209,710,860	94,019,496	–	–	–	73,333,818	1,104,402	17,241,115	7,661,944	853,163
Administration fees (Note 8)	1,005,124	1,200,069	5,784,406	2,602,893	–	–	–	2,322,134	136,499	491,488	383,097	27,319
Custody fees (Note 8)	–	383,522	2,220,247	974,886	–	–	–	899,745	–	194,136	–	27,421
Government taxes, duties and other transaction costs	754	21,557,856	8,215,431	2,868,765	–	–	–	654,977	2,078,707	606,202	41,597	56,472
Professional fees	–	58,394	58,394	58,394	–	–	–	58,394	–	59,605	–	13,571
	1,005,878	55,455,607	225,989,338	100,524,434	–	–	–	77,269,068	3,319,608	18,592,546	8,086,638	977,946
OTHER INCOME (LOSSES)												
Net change in unrealized gain (loss) on investment	(185,435,327)	(149,414,993)	(1,165,997,231)	(765,465,278)	(1,126,413)	(2,226,500)	(1,065,000)	(808,499,974)	–	(87,650,688)	(50,216,508)	3,331,963
Realized gain (loss) on investment	32,055,989	(15,321,102)	90,291,360	47,991,662	–	–	–	(9,860,987)	–	20,668,806	(807,447)	–
Foreign currency gain	–	–	–	–	–	–	–	–	–	–	–	–
	(153,379,338)	(164,736,095)	(1,075,705,871)	(717,473,616)	(1,126,413)	(2,226,500)	(1,065,000)	(818,360,961)	–	(66,981,882)	(51,023,955)	3,331,963
NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS RESULTING FROM OPERATIONS	(₱154,384,946)	(₱113,840,103)	(₱1,090,082,959)	(₱728,307,151)	(₱1,126,413)	(₱2,226,500)	(₱1,065,000)	(₱827,238,343)	₱6,723,861	(₱69,473,658)	(₱42,887,764)	₱3,052,563

See accompanying Notes to Financial Statements.

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31, 2018									
Dollar Investment Funds									
	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	Dollar Money Market Fund	Eliminating Entries	Combined
INCOME									
Interest income - deposits (Note 4)	₱5,376,679	₱–	₱–	₱–	₱–	₱–	₱1,976,819	₱–	₱83,617,171
Interest income - debt securities (Note 5)	146,795,475	–	–	–	–	–	–	–	247,467,221
Dividends (Note 6)	–	–	–	–	–	–	–	–	342,176,899
	152,172,154	–	–	–	–	–	1,976,819	–	673,261,291
EXPENSES									
Management fees (Note 8)	45,065,988	–	–	–	–	–	489,345	–	481,735,897
Administration fees (Note 8)	1,652,415	–	–	–	–	–	60,475	–	15,665,919
Custody fees (Note 8)	442,574	–	–	–	–	–	–	–	5,142,531
Government taxes, duties and other transaction costs	948,945	–	–	–	–	–	302,843	–	37,332,549
Professional fees	55,372	–	–	–	–	–	–	–	362,124
	48,165,294	–	–	–	–	–	852,663	–	540,239,020
OTHER INCOME (LOSSES)									
Net change in unrealized gain (loss) on investment	(169,092,947)	11,752,701	5,861,815	4,703,281	22,096,255	6,509,664	–	185,435,327	(3,146,499,853)
Realized gain (loss) on investment	–	–	–	–	–	–	–	(32,055,989)	132,962,292
Foreign currency gain	159,449,422	444,697	192,607	325,529	1,003,298	812,510	4,799,061	–	167,027,124
	(9,643,525)	12,197,398	6,054,422	5,028,810	23,099,553	7,322,174	4,799,061	153,379,338	(2,846,510,437)
NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS RESULTING FROM OPERATIONS	₱94,363,335	₱12,197,398	₱6,054,422	₱5,028,810	₱23,099,553	₱7,322,174	₱5,923,217	₱153,379,338	(₱2,713,488,166)

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	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Select Equities Fund	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund
INCOME											
Interest income - deposits (Note 4)	P--	P2,868,394	P16,044,989	P10,561,082	P--	P--	P--	P582,675	P2,992,538	P1,748,768	P13,737
Interest income - debt securities (Note 5)	--	79,550,645	--	--	--	--	--	--	--	--	--
Dividends (Note 6)	--	--	115,802,314	70,853,054	--	--	--	72,605,849	--	11,991,854	--
	--	82,419,039	131,847,303	81,414,136	--	--	--	73,188,524	2,992,538	13,740,622	13,737
EXPENSES											
Management fees (Note 8)	--	28,596,205	152,842,419	103,551,806	--	--	--	86,026,594	675,650	20,105,689	1,025,704
Administration fees (Note 8)	904,673	1,066,527	4,221,167	2,865,675	--	--	--	2,721,693	83,508	570,907	51,285
Custody fees (Note 8)	--	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	546,800	349,135	2,643
Professional fees	--	62,981	62,981	62,981	--	--	--	62,981	--	62,981	--
Transaction costs	700	13,200	1,100	1,550	--	--	--	2,100	800	11,684	--
	905,373	47,084,866	161,792,996	109,617,314	--	--	--	89,948,806	1,306,758	21,282,764	1,079,632
OTHER INCOME (LOSSES)											
Net change in unrealized gain (loss) on investment	79,668,016	(55,536,946)	823,340,629	397,244,979	19,486,945	11,132,500	5,085,000	1,281,600,645	--	57,908,970	561,064
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	19,486,945	11,132,500	5,085,000	1,047,328,859	--	68,042,257	561,064
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	P19,486,945	P11,132,500	P5,085,000	P1,030,568,577	P1,685,780	P60,500,115	(P504,831)

See accompanying Notes to Financial Statements.

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31, 2017									
Dollar Investment Funds									
	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	Dollar Money Market Fund	Eliminating Entries	Combined
INCOME									
Interest income - deposits (Note 4)	P3,612,343	P-	P-	P-	P-	P-	P1,202,576	P-	P39,627,102
Interest income - debt securities (Note 5)	138,758,448	-	-	-	-	-	-	-	218,309,093
Dividends (Note 6)	-	-	-	-	-	-	-	-	271,253,071
	142,370,791	-	-	-	-	-	1,202,576	-	529,189,266
EXPENSES									
Management fees (Note 8)	46,803,482	-	-	-	-	-	331,853	-	439,959,402
Administration fees (Note 8)	1,716,124	-	-	-	-	-	41,026	-	14,242,585
Custody fees (Note 8)	425,900	-	-	-	-	-	-	-	4,521,125
Government taxes and duties	258,224	-	-	-	-	-	84,234	-	23,610,201
Professional fees	62,972	-	-	-	-	-	-	-	377,877
Transaction costs	124,158	-	-	-	-	-	-	-	155,292
	49,390,860	-	-	-	-	-	457,113	-	482,866,482
OTHER INCOME (LOSSES)									
Net change in unrealized gain (loss) on investment	48,984,353	3,175,103	1,196,904	6,080,621	24,412,347	14,209,833	-	(79,668,016)	2,638,882,947
Realized gain (loss) on investment	(25,385,771)	-	-	-	-	-	-	(19,629,574)	185,885,832
Foreign currency gain	6,535,745	422,224	182,874	309,079	952,600	771,451	126,595	-	9,300,568
	30,134,327	3,597,327	1,379,778	6,389,700	25,364,947	14,981,284	126,595	(99,297,590)	2,834,069,347
NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS RESULTING FROM OPERATIONS AND OTHER COMPREHENSIVE INCOME	P123,114,258	P3,597,327	P1,379,778	P6,389,700	P25,364,947	P14,981,284	P872,058	(P99,297,590)	P2,880,392,131

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, 2018 AND 2017

Year Ended December 31, 2018												
	Peso Investment Funds											
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Select Equities Fund	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund	ONE Fund
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	₱261,928,570	₱272,426,000	₱132,885,000	₱4,388,235,911	₱111,349,242	₱991,742,931	₱—	₱—
Contributions received from units issued	395,666,450	784,968,731	2,404,885,364	298,837,195	—	—	—	206,259,249	170,630,781	51,533,859	423,055,568	—
Redemptions during the year	(68,436,560)	(112,394,804)	(768,387,136)	(446,297,152)	—	—	—	(560,209,209)	(98,998,665)	(169,904,117)	(9,329)	—
	327,229,890	672,573,927	1,636,498,228	(147,459,957)	—	—	—	(353,949,960)	71,632,116	(118,370,258)	423,046,239	—
Net increase (decrease) in net assets attributable to unitholders resulting from operations	98,392,217	(14,776,396)	968,209,976	624,210,486	19,486,945	11,132,500	5,085,000	1,030,568,577	1,685,780	60,500,115	(504,831)	—
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	281,415,515	283,558,500	137,970,000	5,064,854,528	184,667,138	933,872,788	422,541,408	—
Contributions received from units issued	247,397,222	344,471,058	4,238,081,446	300,147,453	—	—	—	171,445,248	249,140,265	42,412,382	556,510,225	192,155,175
Redemptions during the year	(179,984,755)	(407,924,877)	(343,071,959)	(492,313,461)	—	—	—	(456,018,710)	(157,349,247)	(62,809,946)	(93,870,533)	—
	67,412,467	(63,453,819)	3,895,009,487	(192,166,008)	—	—	—	(284,573,462)	91,791,018	(20,397,564)	462,639,692	192,155,175
Net increase (decrease) in net assets attributable to unitholders resulting from operations	(154,384,946)	(113,840,103)	(1,090,082,959)	(728,307,151)	(1,126,413)	(2,226,500)	(1,065,000)	(827,238,343)	6,723,861	(69,473,658)	(42,887,764)	3,052,563
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2018	₱1,768,569,908	₱2,096,604,532	₱11,673,456,417	₱4,336,697,979	₱280,289,102	₱281,332,000	₱136,905,000	₱3,953,042,723	₱283,182,017	₱844,001,566	₱842,293,336	₱195,207,738

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, 2018 AND 2017

Year Ended December 31, 2018									
Dollar Investment Funds									
	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	Dollar Money Market Fund	Eliminating Entries	Combined
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2016	₱2,959,681,298	₱191,202,219	₱82,814,113	₱139,964,567	₱431,380,580	₱349,348,282	₱57,328,005	(₱1,432,781,642)	₱23,027,768,573
Contributions received from units issued	285,402,896	—	—	—	—	—	33,645,750	(395,666,450)	4,659,219,393
Redemptions during the year	(372,265,555)	—	—	—	—	—	(1,675,122)	68,436,560	(2,530,141,089)
	(86,862,659)	—	—	—	—	—	31,970,628	(327,229,890)	2,129,078,304
Net increase (decrease) in net assets attributable to unitholders resulting from operations	123,114,258	3,597,327	1,379,778	6,389,700	25,364,947	14,981,284	872,058	(99,297,590)	2,880,392,131
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2017	2,995,932,897	194,799,546	84,193,891	146,354,267	456,745,527	364,329,566	90,170,691	(1,859,309,122)	28,037,239,008
Contributions received from units issued	185,560,216	—	—	—	—	—	44,427,513	(247,397,222)	6,324,350,981
Redemptions during the year	(298,565,085)	—	—	—	—	—	(303,418)	179,984,755	(2,312,227,236)
	(113,004,869)	—	—	—	—	—	44,124,095	(67,412,467)	4,012,123,745
Net increase (decrease) in net assets attributable to unitholders resulting from operations	94,363,335	12,197,398	6,054,422	5,028,810	23,099,553	7,322,174	5,923,217	153,379,338	(2,713,488,166)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2018	₱2,977,291,363	₱206,996,944	₱90,248,313	₱151,383,077	₱479,845,080	₱371,651,740	₱140,218,003	(₱1,773,342,251)	₱29,335,874,587

See accompanying Notes to Financial Statements.

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Year Ended December 31, 2018												
Peso Investment Fund												
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Select Equities Fund	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund	ONE Fund
CASH FLOWS FROM OPERATING ACTIVITIES												
Net increase (decrease) in net assets attributable to unitholders resulting from operations	(P154,384,946)	(P113,840,103)	(P1,090,082,959)	(P728,307,151)	(P1,126,413)	(P2,226,500)	(P1,065,000)	(P827,238,343)	P6,723,861	(P69,473,658)	(P42,887,764)	P3,052,563
Adjustments for (gain) loss on increase/ decrease in value and sale of investments - net	153,379,338	164,736,095	1,075,705,871	717,473,616	1,126,413	2,226,500	1,065,000	818,360,961	—	66,981,882	51,023,955	(3,331,963)
Operating income (loss) before working capital changes	(1,005,608)	50,895,992	(14,377,088)	(10,833,535)	—	—	—	(8,877,382)	6,723,861	(2,491,776)	8,136,191	(279,400)
Net increase (decrease):												
Subscription receivable	(1,936,331)	(106,810)	(12,456,974)	(1,802,837)	—	—	—	(1,060,988)	(5,986,538)	241,516	(15,301,416)	(3,242,546)
Investment income receivable	—	(1,511,659)	(162,663)	749,443	—	—	—	(422,704)	(683,445)	271,723	(2,222)	(32,239)
Other receivable	—	(513,296)	23,336,913	(109,994,812)	—	—	—	10,489,063	—	1,161	(2,123,960)	(6,215)
Net increase (decrease):												
Investments	(67,412,466)	(119,231,267)	(3,819,016,879)	(125,306,656)	—	—	—	331,888,926	—	(101,124,877)	(452,900,000)	(175,689,307)
Net (increase) decrease:												
Accounts payable, accrued and other liabilities	2,941,454	(242,012)	(145,188,501)	160,043,022	—	—	—	(66,056,474)	43,598	(4,597,346)	520,293	15,240,163
Net cash from operating activities	(67,412,951)	(70,709,052)	(3,967,865,192)	(87,145,375)	—	—	—	265,960,441	97,476	(107,699,599)	(461,671,114)	(164,009,544)
CASH FLOWS FROM FINANCING ACTIVITIES												
Net contributions to (redemptions from) the funds	67,412,467	(63,453,819)	3,895,009,487	(192,166,008)	—	—	—	(284,573,462)	91,791,018	(20,397,564)	462,639,692	192,155,175
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(484)	(134,162,871)	(72,855,705)	(279,311,383)	—	—	—	(18,613,021)	91,888,494	(128,097,163)	968,578	28,145,631
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	132,285	286,432,645	1,050,554,091	559,282,977	—	—	—	136,754,787	184,387,983	214,192,454	15,131,422	—
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P131,801	P152,269,774	P977,698,386	P279,971,594	P—	P—	P—	P118,141,766	P276,276,477	P86,095,291	P16,100,000	P28,145,631

See accompanying Notes to Financial Statements.

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Year Ended December 31, 2018									
Dollar Investment Funds									
	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	Dollar Money Market Fund	Balanced Fund Eliminating Entries	Combined
CASH FLOWS FROM OPERATING ACTIVITIES									
Net increase (decrease) in net assets attributable to unitholders resulting from operations	₱94,363,335	₱12,197,398	₱6,054,422	₱5,028,810	₱23,099,553	₱7,322,174	₱5,923,217	₱153,379,339	(₱2,713,488,165)
Adjustments for (gain) loss on increase/ decrease in value and sale of investments - net	27,910,576	(12,197,398)	(6,054,422)	(5,028,810)	(23,099,553)	(7,322,174)	—	(153,379,339)	2,869,576,548
Operating income (loss) before working capital changes	122,273,911	—	—	—	—	—	5,923,217	—	156,088,383
Net increase (decrease):									
Subscription receivable	—	—	—	—	—	—	—	1,936,329	(39,716,595)
Investment income receivable	(2,959,030)	—	—	—	—	—	(151,370)	—	(4,904,166)
Other receivable	(805)	—	—	—	—	—	—	1,005,494	(77,806,457)
Net increase (decrease):									
Investments	—	—	—	—	—	—	—	67,412,467	(4,461,380,059)
Net (increase) decrease:									
Accounts payable, accrued and other liabilities	(163,905)	—	—	—	—	—	18,516	(2,941,823)	(40,383,015)
Net cash from operating activities	119,150,171	—	—	—	—	—	5,790,363	67,412,467	(4,468,101,909)
CASH FLOWS FROM FINANCING ACTIVITIES									
Net contributions to (redemptions from) the funds	(113,004,869)	—	—	—	—	—	44,124,095	(67,412,467)	4,012,123,745
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS									
	6,145,302	—	—	—	—	—	49,914,458	—	(455,978,164)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR									
	299,725,949	—	—	—	—	—	90,147,568	—	2,836,742,161
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)									
	₱305,871,251	₱—	₱—	₱—	₱—	₱—	₱140,062,026	₱—	₱2,380,763,997

See accompanying Notes to Financial Statements

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Year Ended December 31, 2017											
Peso Investment Funds											
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Select Equities Fund	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund
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	P19,486,945	P11,132,500	P5,085,000	P1,030,568,577	P1,685,780	P60,500,115	(P504,831)
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)	(19,486,945)	(11,132,500)	(5,085,000)	(1,047,328,859)	—	(68,042,257)	(561,064)
Operating income (loss) before working capital changes	(905,373)	35,334,173	(29,945,693)	(28,203,178)	—	—	—	(16,760,282)	1,685,780	(7,542,142)	(1,065,895)
Net increase (decrease):											
Subscription receivable	529,298	(490,272)	9,146,404	297,824	—	—	—	—	969,158	(61,897)	(9,240,432)
Investment income receivable	—	(4,997,139)	(3,352,793)	(54,222)	—	—	—	3,785,695	(88,407)	(523,628)	(333)
Other receivable	—	(465,602)	(24,316,449)	(11,279,289)	—	—	—	(10,489,063)	—	32	(13,150)
Net increase (decrease):											
Investment	(327,229,890)	(584,266,450)	(1,788,639,161)	(25,648,510)	—	—	—	350,313,099	—	(89,793,439)	(398,000,000)
Net (increase) decrease:											
Accounts payable, accrued and other liabilities	375,375	957,329	163,732,031	2,525,794	—	—	—	64,642,273	(39,343,457)	(416,067)	404,993
Net cash from (used in) operating activities	(327,230,590)	(553,927,961)	(1,673,375,661)	(62,361,581)	—	—	—	391,491,722	(36,776,926)	(98,337,141)	(407,914,817)
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)	71,632,116	(118,370,258)	423,046,239
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS											
	(700)	118,645,966	(36,877,433)	(209,821,538)	—	—	—	37,541,762	34,855,190	(216,707,399)	15,131,422
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR											
	132,985	167,786,679	1,087,431,524	769,104,515	—	—	—	99,213,025	149,532,793	430,899,853	—
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)											
	P132,285	P286,432,645	P1,050,554,091	P559,282,977	P—	P—	P—	P136,754,787	P184,387,983	P214,192,454	P15,131,422

See accompanying Notes to Financial Statements.

INSULAR LIFE WEALTH SERIES FUNDS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Year Ended December 31, 2017									
Dollar Investment Funds									
	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	Dollar Money Market Fund	Eliminating Entries	Combined
CASH FLOWS FROM OPERATING ACTIVITIES									
Net increase (decrease) in net assets attributable to unitholders resulting from operations	P123,114,258	P3,597,327	P1,379,778	P6,389,700	P25,364,947	P14,981,284	P872,058	(P99,297,590)	P2,880,392,131
Adjustments for (gain) loss on increase/ decrease in value and sale of investments - net	(30,134,327)	(3,597,327)	(1,379,778)	(6,389,700)	(25,364,947)	(14,981,284)	(126,595)	99,297,590	(2,834,069,347)
Operating income (loss) before working capital changes	92,979,931	—	—	—	—	—	745,463	—	46,322,784
Net increase (decrease):									
Subscription receivable	351,801	—	—	—	—	—	—	(529,298)	972,586
Investment income receivable	1,116,336	—	—	—	—	—	(19,071)	—	(4,133,562)
Other receivable	—	—	—	—	—	—	—	884,594	(45,678,927)
Net increase (decrease):									
Investment	70,617,967	—	—	—	—	—	126,595	327,229,890	(2,465,289,899)
Net (increase) decrease:									
Accounts payable, accrued and other liabilities	1,377,229	—	—	—	—	—	15,452	(355,296)	193,915,656
Net cash from (used in) operating activities	166,443,264	—	—	—	—	—	868,439	327,229,890	(2,273,891,362)
CASH FLOWS FROM FINANCING ACTIVITIES									
Net contributions to (redemptions from) the funds	(86,862,659)	—	—	—	—	—	31,970,628	(327,229,890)	2,129,078,304
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	79,580,605	—	—	—	—	—	32,839,067	—	(144,813,058)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	220,145,344	—	—	—	—	—	57,308,501	—	2,981,555,219
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P299,725,949	P—	P—	P—	P—	P—	P90,147,568	P—	P2,836,742,161

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 the following Philippine Peso (“Peso”) Investment Funds and United States Dollar (“Dollar”) Investment Funds:

Peso Investment Funds

Balanced Fund	(established and launched March 2005)
Peso Fixed Income Fund	(established and launched March 2005)
Equity Fund	(established and launched March 2005)
Growth Fund	(established and launched February 2011)
Asian Emerging Companies Peso Fund	(established and launched September 2012)
Philippine Equity Advantage Fund Tranche 1	(established and launched February 2014)
Philippine Equity Advantage Fund Tranche 2	(established and launched April 2014)
Select Equities Fund	(established and launched January 2015)
Peso Money Market Fund	(established and launched January 2016)
Select Equities Fund 2	(established and launched June 2016)
Peso Global Equity Fund	(established and launched July 2017)
Own the New Economy Fund	(established and launched September 2018)

Dollar Investment Funds

Dollar Fixed Income Fund	(established and launched September 2007)
China Prime Fund Tranche 1	(established and launched June 2012)
China Prime Fund Tranche 2	(established and launched July 2012)
Asia Dynamic Equity Fund	(established and launched February 2013)
Asian Emerging Companies Dollar Fund	(established and launched May 2013)
Euro Blue Chips Dollar Fund	(established and launched July 2014)
Dollar Money Market Fund	(established and launched January 2016)

Following are the investment objectives of the Separate Funds:

Peso Investment Funds

Balanced Fund

This fund 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 fund 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 fund 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 fund 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.

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 fund 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 fund 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 fund 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.

Money Market Fund

This fund is 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.

Select Equities Fund 2

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 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.

Own the New Economy (ONE) Fund

This fund is an actively managed fund that seeks to provide long-term portfolio for growth from capital appreciation. It employs a top-to-bottom investment strategy which starts with looking at the components of the country's GDP, checking the sectors that drive economic progress, and then selecting the companies that build up the identified sectors.

Dollar Investment Funds

Fixed Income Fund

This fund 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 HSCFI.

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.

Money Market Fund

This fund is 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, Select Equities Fund 2, Own the New Economy Fund, Peso Global Equity Fund, Peso Money Market Fund, Dollar Fixed Income Fund and Dollar Money Market Fund are classified as "Traditional VUL."

Asian Emerging Companies Fund, Philippine Equity Advantage Fund Tranche 1, Philippine Equity Advantage Fund Tranche 2, China Prime Fund Tranche 1, China Prime Fund Tranche 2, Asia Dynamic Equity Fund, Asian Emerging Companies Fund, and Euro Blue Chips Dollar Fund 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 and Chief Operating Officer of the Company on March 28, 2019.

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 19 and 18 Separate Wealth Series Funds as of and for the year ended December 31, 2018 and 2017, respectively, namely: Balanced Fund, Peso Fixed Income Fund, Equity Fund, Growth Fund, Select Equities Fund, Select Equities Fund 2, Peso Money Market Fund, Peso Global Equity Fund, Own the New Economy 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 Dollar 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 by the Separate Funds are consistent with those of the previous financial year, except for the following new pronouncements effective January 1, 2018. The adoption of these

amendments did not have any significant impact on the financial statements unless otherwise indicated.

- Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions
- Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts
- Amendments to PAS 28, Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 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 comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Separate Funds have adopted PFRS 9 effective January 1, 2018 using a full retrospective approach. The adoption did not have significant impact on the Separate Funds' financial statements.

Cash and cash equivalents, Receivables, and Other receivables previously classified as "Loans and Receivables" under PAS 39 are continued to be measured at amortized cost and classified under the category "Financial assets at amortized costs".

Investment in equity securities, debt securities, fixed income fund, and equity fund are continued to be classified as "Financial assets at fair value through profit or loss".

The adoption of PFRS 9's Expected Credit Losses (ECL) did not have significant impact to the Separate Funds' financial assets at amortized costs, which include the cash and cash equivalents, receivables and other receivables. These financial assets are assessed to have low credit risk, resulting in significant expected credit loss.

The Separate Funds' financial liabilities remained to be classified at amortized cost upon transition.

- PFRS 15, Revenue from Contracts with Customers
- PFRS 15, Revenue from Contracts with Customers
PFRS 15 supersedes PAS 11 Construction Contracts, PAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Separate Funds have adopted PFRS 15 effective January 1, 2018 using a full retrospective approach.

The adoption of PFRS 15 has no significant impact on the Separate Fund's financial statements since majority of the Separate Fund's revenues are dividend income and interest income, which are outside the scope of PFRS 15 (scoped in under PFRS 9).

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements, unless otherwise indicated.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, Prepayment Features with Negative Compensation
- PFRS 16, Leases
- Amendments to PAS 19, Employee Benefits, Plan Amendment, Curtailment or Settlement
- Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures
- Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments
- Annual Improvements to PFRSs 2015-2017 Cycle
 - Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation
 - Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity
 - Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, Definition of a Business
- Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material

Deferred effectivity

- Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Summary of significant accounting policies

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in banks earn interest at the respective bank deposit rates. 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 from the date of acquisition and are subject to an insignificant risk of change in value.

Fair Value Measurement

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 either:

- 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. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Separate Funds use 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 prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable either directly or indirectly
- Level 3 - inputs are unobservable inputs for the asset or liability

For assets that are recognized in the financial statement on a recurring basis, the Separate Funds determine whether transfers between level in the hierarchy have occurred by reassessing categorization at the end of each reporting period.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition
The Separate Funds recognize a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities includes transaction costs.

Classification and Subsequent Measurement of financial instruments

Classification of financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Separate Funds' business model for managing financial assets. The Separate Funds classify their financial assets into financial assets into the following categories: financial assets at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) and financial assets measured at amortized cost (AC).

Contractual cash flows characteristics

The Separate Funds assess whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding. Instruments with cash flows that do not represent as such are classified at FVTPL.

In making this assessment, the Separate Funds determine whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

Business model

The Separate Funds, business model does not depend on management's intentions for an individual instrument, rather it refers to how it manages its group of financial assets in order to generate cash flows (i.e. collecting contractual cash flows, selling financial assets or both).

Relevant factors considered by the Separate Funds in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Separate Funds' key management personnel. The Separate Funds also consider the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers, if any, of the business are compensated.

As of December 31, 2018 and 2017, the Separate Funds have no financial assets classified as financial assets at fair value through other comprehensive income (FVOCI).

Financial Assets at FVPL

Financial assets are classified as held for trading (HFT) if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at FVTPL are recorded in the statement of financial position at fair value, with changes in the fair value included under the 'Trading and securities gains (losses)' account in the profit or loss. Interest earned is

reported in the profit or loss under 'Interest income' while dividend income is reported in the profit or loss under 'Dividend income' when the right to receive payment has been established.

As of December 31, 2018 and 2017, the Separate Funds classified their investment in equity securities, debt securities, fixed income fund and equity fund as financial assets at FVTPL.

Financial assets carried at amortized cost

A debt financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are integral part of the EIR. The amortization is included in 'Interest Income' in the statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset. Losses arising from impairment are recognized in 'Provision for credit and impairment losses' in profit or loss. The Company's financial assets at amortized cost consist of 'Cash and cash equivalents', 'Receivables', and 'Other Receivables'.

Reclassifications of financial instruments

The Separate Funds reclassify its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Separate Funds and any previously recognized gains, losses or interest shall not be restated.

Financial liabilities at amortized cost

Issued financial instruments or their components, which are not designated at FVPL, are classified as financial liabilities at amortized cost which includes 'Trade and other payables' and 'Loans payable', where the substance of the contractual arrangement results in the Separate Funds having an obligation either to deliver cash or another financial asset to the

holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Separate Funds' retain the right to receive cash flows from the 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 rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control over the asset.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Impairment of Financial Assets

PFRS 9 requires the Separate Funds to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts.

Expected credit loss methodology

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal

to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk since initial recognition. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

Definition of "default"

The Separate Funds define a financial instrument as in default in all cases when the counterparty becomes over 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a counterparty is in default, the Separate Funds also consider a variety of instances that may indicate objective evidence of impairment, such as significant problems in the operations of the customers and bankruptcy of the counterparties.

Significant increase in credit risk (SICR)

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Separate Funds' aging information, the borrower becomes past due over 30 days. Further, the Separate Funds assume that the credit risk of a financial asset, particularly on cash and equivalents and short-term investments, has not increased significantly since origination if the financial asset is determined to have "low credit risk" as of the reporting date. A financial assets is considered "low credit risk" when it has an external rating equivalent to "investment grade".

In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Separate Funds shall revert to recognizing a 12-month ECL.

Staging assessment

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired debt financial assets which have not experienced a SICR since initial recognition. The Separate Funds recognize a 12-month ECL for Stage 1 debt financial assets.

- Stage 2 is comprised of all non-impaired debt financial assets which have experienced a SICR since initial recognition. The Separate Funds recognize a lifetime ECL for Stage 2 financial assets.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment.

ECL parameters and methodologies

For financial assets such as 'Cash and cash equivalents' and 'Receivables', the Separate Funds' calculation of ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

Forward looking information

A range of economic overlays are considered and expert credit judgment is applied in determining the forward-looking inputs to the ECL calculation.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the statement of financial position.

Revenue Recognition (outside the scope of PFRS 15)

The following specific recognition criteria must be met before revenue is recognized.

Interest income recognized using the effective interest rate method

Interest income is recognized in profit or loss for all instruments measured at amortized cost.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Separate Funds estimate cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Other interest income - Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognized using the contractual interest rate.

Dividend income is recognized when the Separate Funds' rights to receive payment have been established. Dividend income relating to exchange-traded equity investments is recognized in the statements of comprehensive income on ex-dividend date.

Trading and securities gains (losses)

Trading and securities gains (losses) represent results arising from trading activities, gains and losses from changes in the fair values of financial assets at FVTPL.

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 Translation Transactions and balances

Foreign currency-denominated monetary assets and liabilities are translated in closing rate prevailing at the reporting date while foreign currency-denominated income and expenses are translated using the weighted average rate for the year. Foreign exchange gains or losses arising from foreign currency transactions and revaluation of foreign currency-denominated assets and liabilities are credited to or charged against profit or loss in the year in which the rates change.

3. SIGNIFICANT JUDGEMENT AND ESTIMATES

As of December 31, 2018 and 2017, the preparation of the financial statements in accordance with PFRS requires the Separate Funds to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities, if any. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

As of December 31, 2018 and 2017, management assessed that there are no significant accounting judgement exercised in respect to the preparation of the Separate Funds' financial statements.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities follow:

Fair value of financial instruments

Fair value determination for instruments are based generally on listed or quoted market prices. Where the fair value of financial assets and financial liabilities recorded in the statement of financial position or disclosed in the notes to the financial statements cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

As of December 31, 2018 and 2017, the carrying value of the investments in structured notes under financial assets at FVTPL amounted to Php 1,998,651,256 and Php 1,949,366,812, respectively (see Note 5).

The Separate Funds have structured notes with fair value computed by counterparties using present value calculations and option pricing models as applicable. The management performs an independent testing and sensitivity analyses to validate the reasonableness of counterparty values. The valuation requires management to make certain assumptions about the model inputs particularly the credit spread of the issuer. Refer to Note 9 for the details on the fair valuation and sensitivity analysis.

4. CASH AND CASH EQUIVALENTS

2018												
Peso Investment Funds									Dollar Investment Funds			
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund	ONE Fund	Fixed Income Fund	Dollar Money Market Fund	Combined
Cash in banks	₱131,801	₱168,230	₱806,905	₱784,162	₱1,258,292	₱160,496	₱476,716	₱—	₱370,040	₱224,878	₱287,406	₱4,668,926
Cash equivalents	—	152,101,544	976,891,481	279,187,432	116,883,474	276,115,981	85,618,575	16,100,000	27,775,591	305,646,373	139,774,620	2,376,095,071
	₱131,801	₱152,269,774	₱977,698,386	₱279,971,594	₱118,141,766	₱276,276,477	₱86,095,291	₱16,100,000	₱28,145,631	₱305,871,251	₱140,062,026	₱2,380,763,997

2017											
Peso Investment Funds									Dollar Investment Funds		
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund	Fixed Income Fund	Dollar Money Market Fund	Combined
Cash in banks	₱132,285	₱188,973	₱1,881,755	₱1,558,900	₱1,654,787	₱156,830	₱992,454	₱131,422	₱48,154,299	₱156,195	₱55,007,900
Cash equivalents	—	286,243,672	1,048,672,336	557,724,077	135,100,000	184,231,153	213,200,000	15,000,000	251,571,650	89,991,373	2,781,734,261
	₱132,285	₱286,432,645	₱1,050,554,091	₱559,282,977	₱136,754,787	₱184,387,983	₱214,192,454	₱15,131,422	₱299,725,949	₱90,147,568	₱2,836,742,161

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 83,617,171 and Php 39,627,102 in 2018 and 2017, respectively.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments in Debt Securities

						2018							
Peso Investment Funds						Dollar Investment Funds							
	Fixed Income Fund	Peso Global Equity Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Fixed Income Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Equity Fund	Asia Emerging Companies Fund	Euro Blue Chips Dollar Fund	Combined	
Acquisition cost	₱2,076,649,767	₱850,092,553	₱375,471,000	₱305,000,000	₱150,000,000	₱2,907,858,060	₱177,656,000	₱77,724,500	₱133,242,000	₱444,140,000	₱328,123,000	₱7,825,956,880	
Increase (decrease) in value of investments	(154,954,842)	(49,655,444)	(95,181,898)	(23,668,000)	(13,095,000)	(283,059,754)	29,340,944	12,523,813	18,141,077	35,705,080	43,528,740	(480,375,284)	
Fair value	₱1,921,694,925	₱800,437,109	₱280,289,102	₱281,332,000	₱136,905,000	₱2,624,798,306	₱206,996,944	₱90,248,313	₱151,383,077	₱479,845,080	₱371,651,740	₱7,345,581,596	

						2017							
Peso Investment Funds						Dollar Investment Funds							
	Fixed Income Fund	Peso Global Equity Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Fixed Income Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Equity Fund	Asia Emerging Companies Fund	Euro Blue Chips Dollar Fund	Combined	
Acquisition cost	₱2,053,222,170	₱398,000,000	₱375,471,000	₱305,000,000	₱150,000,000	₱2,760,916,659	₱177,656,000	₱77,724,500	₱133,242,000	₱444,140,000	₱328,123,000	₱7,203,495,329	
Increase (decrease) in value of investments	(86,022,417)	561,064	(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	(235,658,818)	
Fair value	₱1,967,199,753	₱398,561,064	₱281,415,515	₱283,558,500	₱137,970,000	₱2,652,708,882	₱194,799,546	₱84,193,891	₱146,354,267	₱456,745,527	₱364,329,566	₱6,967,836,511	

Investments in debt securities include bonds and structured notes (see Note 9).

INSULAR LIFE WEALTH SERIES FUNDS

NOTES TO FINANCIAL STATEMENTS

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

	2018					2018						
	Peso Investment Funds					Dollar Investment Funds						
	Fixed Income Fund	Peso Global Equity Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Fixed Income Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Equity Fund	Asia Emerging Companies Fund	Euro Blue Chips Dollar Fund	Combined
Due within one year	₱40,131,911	₱800,437,109	₱280,289,102	P=	P=	₱139,253,240	₱206,996,944	₱90,248,313	P=	P=	P=	₱1,557,356,619
Due after one year through five years	1,092,824,708	—	—	281,332,000	136,905,000	234,281,968	—	—	151,383,077	479,845,080	371,651,740	2,748,223,573
Due beyond five years	788,738,306	—	—	—	—	2,251,263,098	—	—	—	—	—	3,040,001,404
	₱1,921,694,925	₱800,437,109	₱280,289,102	₱281,332,000	₱136,905,000	₱2,624,798,306	₱206,996,944	₱90,248,313	₱151,383,077	₱479,845,080	₱371,651,740	₱7,345,581,596

	2017					2017						
	Peso Investment Funds					Dollar Investment Funds						
	Fixed Income Fund	Peso Global Equity Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Fixed Income Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Equity Fund	Asia Emerging Companies Fund	Euro Blue Chips Dollar Fund	Combined
Due within one year	₱49,855,821	₱398,561,064	P=	P=	P=	P=	P=	P=	P=	P=	P=	₱448,416,885
Due after one year through five years	651,324,596	—	281,415,515	283,558,500	137,970,000	330,697,440	194,799,546	₱84,193,891	₱146,354,267	—	364,329,566	2,474,643,321
Due beyond five years	1,266,019,336	—	—	—	—	2,322,011,442	—	—	—	456,745,527	—	4,044,776,305
	₱1,967,199,753	₱398,561,064	₱281,415,515	₱283,558,500	₱137,970,000	₱2,652,708,882	₱194,799,546	₱84,193,891	₱146,354,267	₱456,745,527	₱364,329,566	₱6,967,836,511

Interest income from investment in debt securities totaled Php 247,467,221 and Php 218,309,093 in 2018 and 2017, respectively.

INSULAR LIFE WEALTH SERIES FUNDS

NOTES TO FINANCIAL STATEMENTS

Investments in Equity Securities

2018

	Equity Fund	Growth Fund	Select Equities Fund	Select Equities Fund 2	ONE Fund	Combined
Acquisition cost	₱10,380,624,848	₱3,978,025,006	₱4,203,178,747	₱865,136,011	₱175,689,307	₱19,602,653,919
Increase in value of investments	343,086,612	127,740,078	(363,322,542)	(106,253,782)	3,331,963	4,582,329
Fair value	₱10,723,711,460	₱4,105,765,084	₱3,839,856,205	₱758,882,229	₱179,021,270	₱19,607,236,248

2017

	Equity Fund	Growth Fund	Select Equities Fund	Select Equities Fund 2	Combined
Acquisition cost	₱6,471,316,608	₱3,804,726,688	₱4,544,928,661	₱743,342,327	₱15,564,314,284
Increase in value of investments	1,509,083,844	893,205,356	445,177,431	(18,603,093)	2,828,863,538
Fair value	₱7,980,400,452	₱4,697,932,044	₱4,990,106,092	₱724,739,234	₱18,393,177,822

6. RECEIVABLES

2018

	Peso Investment Funds									Dollar Investment Funds			Balanced Fund Eliminating Entries	Combined
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund	ONE Fund	Fixed Income Fund	Dollar Money Market Fund			
Investment income receivables:														
Accrued interest	₱-	₱21,329,387	₱3,398,924	₱724,698	₱425,706	₱1,030,013	₱183,232	₱2,555	₱14,939	₱51,949,944	₱219,352	₱-	₱-	₱79,278,750
Accrued dividends	-	-	2,696,260	941,758	-	-	333,094	-	17,300	-	-	-	-	3,988,412
Total investment income receivables	-	21,329,387	6,095,184	1,666,456	425,706	1,030,013	516,326	2,555	32,239	51,949,944	219,352	-	-	83,267,162
Subscriptions receivable	2,101,589	750,014	11,488,809	3,174,121	1,060,988	5,994,953	93,915	24,541,848	3,242,546	-	-	-	-	52,448,783
Other receivables	1,000	2,444,979	2,460,997	121,275,070	-	-	-	2,137,110	6,215	2,051	-	(4,822,250)	123,505,172	
	₱2,102,589	₱24,524,380	₱20,044,990	₱126,115,647	₱1,486,694	₱7,024,966	₱610,241	₱26,681,513	₱3,281,000	₱51,951,995	₱219,352	(₱4,822,250)	₱259,221,117	

INSULAR LIFE WEALTH SERIES FUNDS

NOTES TO FINANCIAL STATEMENTS

2017

	Peso Investment Funds								Dollar Investment Funds			
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund	Fixed Income Fund	Dollar Money Market Fund	Balanced Fund Eliminating Entries	Combined
Investment income receivables:												
Accrued interest	P-	P19,817,728	P1,155,430	P666,673	P3,002	P346,568	P4,738	P333	P48,990,914	P67,982	P-	P71,053,368
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	346,568	788,049	333	48,990,914	67,982	-	78,362,996
Subscriptions receivable	165,258	1,611,369	-	1,371,284	-	8,415	335,431	9,240,432	-	-	-	12,732,189
Other receivables	1,000	1,931,683	25,797,910	11,280,258	10,489,063	-	1,161	13,150	1,246	-	(3,816,756)	45,698,715
	P166,258	P23,360,780	P31,730,431	P15,067,441	P10,492,065	P354,983	P1,124,641	P9,253,915	P48,992,160	P67,982	(P3,816,756)	P136,793,900

- 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 1.500% to 10.625% in 2018 and from 1.500% to 10.625% in 2017.
- Accrued dividend receivables are noninterest-bearing and pertain to dividends earned on investment in equity securities but not yet received by the Separate Funds.
- Subscription receivable pertains to value of units subscribed but not yet received as at reporting date.
- Other receivables include due from Fund Manager and unsettled sales as at reporting period.

7. ACCOUNTS PAYABLE AND ACCRUED AND OTHER LIABILITIES

December 31, 2018															
	Peso Investment Funds					Dollar Investment Fund									
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund	ONE Fund						
Accounts payable -															
Due to broker	₱2,101,588	₱-	₱26,353,116	₱-	₱-	₱-	₱-	₱-	₱14,884,333		₱-	₱-	(₱2,101,588)	₱41,237,449	
Redemptions payable	-	-	1,411,998	166,950,214	-	-	-	-	-		1,108,926	-	-	169,471,138	
Due to related party	1,717,796	1,309	1,309	-	-	-	-	-	-		-	1,819	(1,717,796)	4,437	
	3,819,384	1,309	27,766,423	166,950,214	-	-	-	-	14,884,333		1,108,926	1,819	(3,819,384)	210,713,026	
Accrued and other liabilities:															
Management fees payable (Note 8)	-	2,733,102	20,354,658	7,776,611	6,105,077	106,087	1,466,192	827,595	315,524		3,906,254	54,685	-	43,645,785	
Administration fees payable (Note 8)	3,187,348	100,214	559,753	213,857	191,874	13,112	40,320	41,380	8,677		143,229	6,761	(3,104,453)	1,402,072	
Custody fees payable (Note 8)	-	36,044	207,291	85,133	78,474	-	14,237	-	3,276		106,603	-	-	531,058	
Professional fees payable	-	61,071	61,070	61,071	61,072	-	61,070	-	13,571		61,072	-	-	379,997	
Transaction fees payable	-	-	39,271	5,800	100	-	600	-	2,300		-	-	-	48,071	
Taxes and other payables	-	3,601	60,747	61,660	5,345	227	3,776	56,311	12,482		4,105	110	-	208,364	
	3,187,348	2,934,032	21,282,790	8,204,132	6,441,942	119,426	1,586,195	925,286	355,830		4,221,263	61,556	(3,104,453)	46,215,347	
	₱7,006,732	₱2,935,341	₱49,049,213	₱175,154,346	₱6,441,942	₱119,426	₱1,586,195	₱925,286	₱15,240,163		₱5,330,189	₱63,375	(₱6,923,837)	₱256,928,371	

December 31, 2017															
	Peso Investment Funds					Dollar Investment Fund									
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund							
Accounts payable -															
Due to broker	₱165,258	₱-	₱69,686,969	₱5,611,530	₱-	₱-	₱4,435,115	₱-			₱-	₱-	(₱165,258)	₱79,733,614	
Redemptions payable	-	-	108,536,326	-	-	-	-	-	-		-	-	-	174,167,848	
Due to related party	1,717,800	1,309	1,309	-	64,391,456	-	-	-	-		1,241,066	5,425	(1,717,800)	8,043	
	1,883,058	1,309	178,223,604	5,611,530	64,391,456	-	4,435,115	-	-		1,241,066	5,425	(₱1,883,058)	253,909,505	
Accrued and other liabilities:															
Management fees payable (Note 8)	-	2,964,909	15,246,103	9,054,916	7,679,775	67,350	1,621,879	385,458	3,938,391		35,027	-	-	40,993,808	
Administration fees payable (Note 8)	2,182,220	108,713	419,268	249,010	241,364	8,324	44,602	19,273	144,406		4,328	(2,098,956)	-	1,322,552	
Custody fees payable (Note 8)	-	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	154	4,452	262	-		3,457	79	-	169,578	
	2,182,220	3,176,044	16,014,110	9,499,794	8,106,960	75,828	1,748,426	404,993	-		4,253,028	39,434	(2,098,956)	43,401,881	
	₱4,065,278	₱3,177,353	₱194,237,714	₱15,111,324	₱72,498,416	₱75,828	₱6,183,541	₱404,993			₱5,494,094	₱44,859	(₱3,982,014)	₱297,311,386	

The accounts payable and accrued and other liabilities of Balanced Fund for 2018 and 2017 in the above table are net of inter-fund receivables and payables (see Notes 5 and 7).

8 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 the following rates per annum based on the net asset value before deduction of the administration, custody, and investment management fee:

Peso Fixed Income Fund	1.500%
Dollar Fixed Income Fund	1.500%
Select Equities Fund	1.750%
Peso Money Market Fund	0.445%
Dollar Money Market Fund	0.445%
Growth Fund	2.000%
Equity Fund	2.000%
Select Equities Fund 2	2.000%
Peso Global Equity Fund	1.100%
Own the New Economy (ONE) Fund	2.000%

The other remaining funds are passively managed hence do not incur investment management fee.

Investment management fees expense amounted to Php 481,735,897 and Php 439,959,402 in 2018 and 2017, respectively. Investment management fees payable as of December 31, 2018 and 2017 amounted to Php 43,645,785 and Php 40,993,808, respectively (see Note 7).

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. Passively managed investments do not incur administration fees in 2018 and 2017.

Administration fees expense amounted to Php 15,665,919 and Php 14,242,585 in 2018 and 2017, respectively. Administration fees payable as of December 31, 2018 and 2017 amounted to Php 1,402,068 and Php 1,322,552, respectively (see Note 7).

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 2018 and 2017.

Custody fees expense amounted to Php 5,142,531 and Php 4,521,125 in 2018 and 2017 respectively. Outstanding balances of custody fees payable amounted to Php 531,058 and Php 471,460 as of December 31, 2018 and 2017 respectively (see Note 7).

9. FINANCIAL INSTRUMENTS

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

	2018				
	Peso Investment Funds		Dollar Investment Funds		Total
	Fair Value through profit or loss	Amortized cost	Fair Value through profit or loss	Amortized cost	
<i>Financial assets at FVPL</i>					
Traditional VULs:					
Cash and cash equivalents	₱–	₱1,934,830,720	₱–	₱445,933,277	₱2,380,763,997
Equity securities - quoted	19,607,236,248	–	–	–	19,607,236,248
Debt securities - quoted fixed interest rates	1,921,694,925	–	2,624,798,306	–	4,546,493,231
Subscriptions receivable	–	52,448,783	–	–	52,448,783
Investment income receivable	–	31,097,866	–	52,169,296	83,267,162
Other receivables	–	123,503,121	–	2,051	123,505,172
Structured VULs	698,526,102	–	1,300,125,154	–	1,998,651,256
Investment in UITF	800,437,109	–	–	–	800,437,109
	₱23,027,894,384	₱2,141,880,490	₱3,924,923,460	₱498,104,624	₱29,592,802,958

	2018		
	Peso Investment Funds	Dollar Investment Funds	Total
	Other financial liabilities	Other financial liabilities	
<i>Financial liabilities at amortized cost</i>			
Accounts payable	₱209,602,279	₱1,110,745	₱210,713,024
Accrued and other liabilities*	41,728,379	4,278,604	46,006,983
	₱251,330,658	₱5,389,349	₱256,720,007

*Excluding taxes payable amounting P208,364

INSULAR LIFE WEALTH SERIES FUNDS

NOTES TO FINANCIAL STATEMENTS

	2017				
	Peso Investment Funds		Dollar Investment Funds		
	Fair Value through profit or loss	Amortized cost	Fair Value through profit or loss	Amortized cost	Total
<i>Financial assets at FVPL</i>					
Traditional VULs:					
Cash and cash equivalents	P—	P 2,446,868,644	P—	P389,873,517	P2,836,742,161
Equity securities - quoted*	18,393,177,822	—	—	—	18,393,177,822
Debt securities - quoted fixed interest rates	1,967,199,753	—	2,652,708,882	—	4,619,908,635
Subscriptions receivable	—	12,732,189	—	—	12,732,189
Investment income receivable	—	29,304,100	—	49,058,896	78,362,996
Other receivables	—	45,697,469	—	1,246	45,698,715
Structured VULs	702,944,015	—	1,246,422,797	—	1,949,366,812
Investment in UITF	398,561,064	—	—	—	398,561,064
	P21,461,882,654	P2,534,602,402	P3,899,131,679	P438,933,659	P28,334,550,394

	2017		
	Peso Investment Funds	Dollar Investment Funds	Total
	Other financial liabilities	Other financial liabilities	
<i>Financial liabilities at amortized cost</i>			
Accounts payable	P252,663,014	P1,246,491	P253,909,505
Accrued and other liabilities*	38,943,377	4,288,926	43,232,303
	P 291,606,391	P5,535,417	P297,141,808

*Excluding taxes payable amounting P169,578

INSULAR LIFE WEALTH SERIES FUNDS

NOTES TO FINANCIAL STATEMENTS

The following table presents the fair value hierarchy of the financial assets at FVPL as at December 31, 2018 and 2017:

	2018			
	Level 1	Level 2	Level 3	Total
Equity securities*	₱19,607,236,248	₱–	₱–	₱19,607,236,248
Debt securities:				
Traditional VULs:				
Local currency	1,921,694,925	–	–	1,921,694,925
Foreign currency	2,624,798,306	–	–	2,624,798,306
Structured VULs:				
Local currency	–	–	698,526,102	698,526,102
Foreign currency	–	–	1,300,125,154	1,300,125,154
Investment in UITF		800,437,109		800,437,109
	₱24,153,729,479	₱800,437,109	₱1,998,651,256	₱26,952,817,844

	2017			
	Level 1	Level 2	Level 3	Total
Equity securities*	₱18,393,177,822	₱–	₱–	₱18,393,177,822
Debt securities:				
Traditional VULs:				
Local currency	1,967,199,753	–	–	1,967,199,753
Foreign currency	2,652,708,882	–	–	2,652,708,882
Structured VULs:				
Local currency	–	–	702,944,015	702,944,015
Foreign currency	–	–	1,246,422,797	1,246,422,797
Investment in UITF		398,561,064		398,561,064
	₱23,411,647,521	₱398,561,064	₱1,949,366,812	₱25,361,014,333

For all other financial assets and liabilities, the carrying value is an approximation of fair value due to their short-term nature. They include receivables, cash and cash equivalents, accounts payable and accrued and other liabilities.

The fair values of financial assets at FVPL on Level 1 category are based on quoted market prices. The fair value of financial assets at FVPL on Level 2 category is based on the NAVPU of the underlying UITF.

INSULAR LIFE WEALTH SERIES FUNDS

NOTES TO FINANCIAL STATEMENTS

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

	2018	2017
Peso		
Beginning balance	₱702,944,015	₱667,239,570
Maturities	–	(360,198,215)
Fair value gain (loss)	(4,417,913)	395,902,660
Ending balance	698,526,102	702,944,015
USD		
Beginning balance	1,246,422,797	1,194,709,761
Fair value gain	50,923,716	49,074,808
Foreign exchange adjustments	2,778,641	2,638,228
Ending balance	1,300,125,154	1,246,422,797
Total Level 3 financial assets	₱1,998,651,256	₱1,949,366,812

There were no transfers within different levels of the fair value hierarchy in 2018 and 2017.

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. Management performs independent testing to validate the reasonableness of counterparty values. Inputs used for the sensitivity analysis include 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 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 within Level 1	Range of input	Sensitivity of the input to fair value
2018	ROP CDS level (3yrs-8yrs)	88 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 ₱11,704,273 and ₱11,923,512, respectively.
	USD IRS (3yrs-8yrs)	255-259 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 ₱12,459,183 and ₱12,684,129, respectively.
	PHP IRS (1yr-6yrs)	543-560 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 ₱5,532,261 and ₱5,608,461, respectively.
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.

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 of input	Sensitivity of the input to fair value
2018 B	Bank CDS level (1-7 years)	30-95 basis points	A 50 basis points increase or decrease in CDS would result in the decrease and increase in fair value of the note by ₱5,532,261 and ₱5,608,461, respectively.
2017 B	Bank CDS level (1-7 years)	51-118 basis points	A 50 basis points increase or 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.

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 of input	Sensitivity of the input to fair value
2018 R	OP CDS level (3-8 years)	55-65 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 ₱12,459,183 and ₱12,684,129, respectively.
2017 R	OP 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 ₱17,668,485 and ₱18,056,722 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.

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial instruments of the Separate Funds consist mainly of cash and cash equivalents, investment in equity and debt securities, receivables, accounts payable and accrued and other liabilities excluding taxes. The overall risk management program of the Separate Funds focus on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. The Separate Funds are exposed to market risk (which includes price risk, interest rate risk, and currency risk), credit risk, and liquidity risk arising from the financial instruments the Separate Funds hold.

Risk measurement and reporting system

The Separate Funds' risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses that are an estimate of the ultimate actual loss based on statistical models. The models make use of the probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily set up to be performed based on limits established. These limits reflect the business strategy, including the risk that the Separate Funds are willing to accept and the market environment of the Separate Funds. In addition, the Separate Funds monitor and measure the overall risk in relation to the aggregate risk exposure across all risks type and activities.

Excessive risk concentration

Concentration of risk indicates the relative sensitivity of the Separate Funds' performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region,

or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realize liquid assets. Concentrations of foreign exchange risk may arise if the Separate Funds have a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together. In order to avoid excessive concentrations of risk, the Separate Funds' policies and procedures include specific guidelines to focus on maintaining a diversified portfolio.

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 are exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honor its contractual obligations. These credit exposures exist within debt instruments, short-term trade receivables, and cash and cash equivalents with a maximum credit exposure equal to their respective carrying amounts.

It is the Separate Funds' policy to enter into financial instruments with reputable counterparties. The Investment Manager's policy is to closely monitor the creditworthiness of the Separate Funds' counterparties (e.g., brokers, custodian and banks) by reviewing their credit ratings, financial statements and press releases on a regular basis.

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, 2018 and 2017, all of the Separate Funds' financial assets fall under investment grade category.

Credit risk disclosures are segmented into two sections based on whether the underlying financial instrument is subject to PFRS 9's impairment disclosures or not.

Financial assets subject to PFRS 9's impairment requirements

The Separate Funds' financial assets subject to the expected credit loss model within PFRS 9 are only cash and cash equivalents and short-term receivables. There is no concentration of credit risk within short-term receivables. All cash and cash equivalents are deposited with the Fund Manager. No assets are considered impaired and no amounts have been written off. An amount is considered to be in default if it has not been received after it is due.

The Separate funds have adopted general approach on its cash and cash equivalents. The Company's funds are deposited with the Fund Manager which is part of an international banking group rated as investment grade by the global external rating agency. Accordingly, placements in the Fund Manager are considered to be low credit risk investments. In addition, cash on bank is on demand while cash equivalents have terms of three months or less. As of December 31, 2018 and 2017, the Company determined that the impact of 12-month ECL ("Stage 1") is not material.

The Separate Funds have adopted the simplified approach on its trade receivables. Any loss allowance is therefore based on lifetime ECLs. Items have been grouped by their nature into the following categories: accrued income and amounts due from brokers. As of December 31, 2018 and 2017, all of the Separate Funds' receivables are neither past due nor impaired. All receivables are collectible in a very short period. Accordingly, the ECL is determined to be negligible.

Financial assets not subject to PFRS 9's impairment requirements

The Separate Funds are exposed to credit risk on debt instruments. This class of financial assets is not subject to PFRS 9's impairment requirements as they are measured at FVPL. The carrying value of these assets represents the Separate Funds' maximum exposure to credit risk as of the respective reporting dates (see Notes 4 and 6). Investment in debt securities at FVTPL totaled Php 7,345,581,596 and Php 6,967,836,511 in 2018 and 2017, respectively.

Credit quality of financial assets not subject to PFRS 9's impairment requirements

The Separate Funds invest only in interest-bearing investments (debt securities) rated by global (S&P/Moody's) and local (PhilRatings) credit rating agencies.

The following table analyses the Fund's portfolio of such assets by rating agency category:

Credit Rating	2018		2017	
	Peso Fixed Income Fund	Dollar Fixed Income Fund	Peso Fixed Income Fund	Dollar Fixed Income Fund
PRSAaa	7%	4%	7%	3%
BBB/Baa2	93% 9	6%	93%	97%
	100%	100%	100%	100%

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:

	2018	2017
Government	66%	66%
Financial institutions	31%	30%
Electricity, energy, power, and water	1%	3%
Others	2%	1%
Total]	100%	100%

Liquidity risk

Liquidity or funding risk is the risk that the Separate Funds will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. 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. The Separate Funds invest primarily in marketable securities and other financial instruments which, under normal market conditions, are readily fixed rate to cash. It is the Separate Funds' policy that the investment manager monitors the Separate Funds' liquidity position on a daily basis.

As of December 31, 2018 and 2017, the Separate Funds' other financial liabilities excluding taxes payable amounting to Php 256,720,002 and Php 297,141,806, respectively, have maturities of less than one year. The Separate Funds have cash amounting to Php 2,380,763,998 and Php 2,836,742,161 as of December 31, 2018 and 2017, respectively, which are due on demand that can be used to settle financial liabilities.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The maximum risk resulting from financial instruments equals their fair value.

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 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 equity investments held under Equity Fund, Growth Fund, Select Equities Fund, and Select Equities Fund 2, Own the New Economy Fund which are classified in the statements of financial position as financial assets at FVPL. The maximum exposure to equity price risk is equal to the carrying amount of the investment in securities. Investment in equity securities totaled Php 19,607,236,248 and Php 18,393,177,822 in 2018 and 2017, respectively.

The following table demonstrates the sensitivity to a reasonable possible change in the price of equity securities as of December 31:

2018		2017	
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	₱838,908,537	50 basis points rise	₱810,485,535
50 basis points fall	(838,908,537)	50 basis points fall	(810,485,535)

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:

	2018	2017
Holding Firms	24%	25%
Banks	18%	14%
Propert	15%	16%
Food, beverage, and tobacco	12%	12%
Retail	8%	7%
Electricity, energy, power, and water	9%	10%
Telecommunications	3%	5%
Mining	2%	3%
Others	9%	8%
Tota	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 carrying amount of the investment in debt securities amounted to Php 7,345,581,596 and Php 6,967,836,511 as of December 31, 2018 and 2017, respectively, and represents the maximum exposure to fair value interest rate risk.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates with all other variables held constant:

2018		2017	
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	(P68,825,230)	25 basis points rise	(P83,148,595)
25 basis points fall	67,184,062	25 basis points fall	73,657,777

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:

	2018		2017	
	United States Dollar Value	Peso Equivalent	United States Dollar Value	Peso Equivalent
Assets				
Traditional VULs:				
Cash and cash equivalents	US\$8,481,044	₱445,933,277	US\$7,809,497	₱389,873,517
Debt securities	49,920,090	2,624,798,306	53,136,007	2,652,708,882
Investment income receivable	992,189	52,169,296	982,691	49,058,896
Subscription receivable	—	—	—	—
Other receivables	392	,051	25	1,246
Structured VULs	24,726,610	1,300,125,154	24,966,905	1,246,422,797
	US\$84,119,972	₱4,423,028,084	US\$86,895,125	₱4,338,065,338
Liabilities				
Accounts payable	US\$21,125	₱1,110,745	US\$24,968	₱1,246,491
Accrued and other liabilities	81,453	4,282,819	85,982	4,292,462
	US\$102,578	₱5,393,564	US\$110,950	₱5,538,953

The foregoing Dollar amounts have been restated to their Peso equivalents using the exchange rate of Php 52.58 and Php 49.923 to US\$1, prevailing spot rate and as recommended by IC, as of December 31, 2018 and 2017, respectively.

INSULAR LIFE WEALTH SERIES FUNDS

NOTES TO FINANCIAL STATEMENTS

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:

2018		2017	
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 3.47%	₱153,291,920	Peso depreciation of 4.03%	₱174,600,813
Peso appreciation of 3.47%	(153,291,920)	Peso appreciation of 4.03%	(174,600,813)

InLife Brand Story

The world of today may have changed
Yet our belief has always stayed the same:
Everyone deserves the good.
That's why we've changed for the better.
We've made ourselves better
So we can reach those who have just begun
to chase after their dreams
So we can give women the light by which to
guide their families to a better tomorrow
So we can realize the hope that every
Filipino harbors
And move forward, leaving no one behind.
We're better today
Because today is what shapes the future
And in the future, we see
Everyone leading a lifetime for good.
InLife. A lifetime for good.



A Lifetime for Good