



**2019** WEALTH SERIES REPORT  
TO POLICYHOLDERS



# **STRONG FUNDAMENTALS**

TO FACE THE NEW NORMAL

# Contents

Message from the President	<b>3</b>
Fund Manager's Report	<b>5</b>
Independent Auditors' Report	<b>23</b>
Statements of Financial Position	<b>25</b>
Statements of Comprehensive Income	<b>29</b>
Statements of Changes in Net Assets Attributable to Unitholders	<b>33</b>
Statements of Cash Flows	<b>37</b>
Notes to Financial Statements	<b>41</b>

## MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



Dear Valued Policyholders:

I hope this message finds you and your loved ones well. Allow me to take this opportunity to provide you with an update on how we, as a company, are performing during this pandemic.

For months, the global community has been grappling with the disruption caused by COVID-19. While our country has recently shifted into more relaxed community quarantine measures, several industries struggle to remain afloat. Amid these unusual times, we are fortunate to share with you that our operations remain optimal and we are confident that we will endure in this new normal.

You will remember that in 2015, we began investing heavily in the automation of our processes which gained for us the recognition of being the country's most digitally connected Philippine life insurer. These investments in digital platforms have enabled us to adapt quickly and collaborate remotely to provide fully digital end-to-end processes for both our bank and non-bank customers.

### 2019 RESULTS

2019 brought headwinds to growth due to local and foreign factors. The Philippines' GDP growth of 5.9%, slightly missed consensus estimates due to the delay in approving the national budget. The Philippines' inflation rate averaged 2.5% and was within expectations allowing the BSP to loosen monetary policy to stimulate growth. The Philippine equity market was affected by uncertainties brought by government disputes with local companies and from the heightened US-China Trade dispute.

## MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

In light of this market environment, our disciplined and long-term approach in our investment strategy, resulted in our Equity Fund registering a 10-year average return of 10.8%, beating even the Philippine Stock Exchange index (PSEi) which has an average return of 9.9% over that same period. Our Balanced Fund, meanwhile, recorded a 10-year return of 7.4%. These funds continue to outperform other VUL Funds over a 10-year period. Active fund management took advantage of the low rate environment delivering 13.7% year on year return for our Peso Fixed Income Fund, while our Peso Global Equity Fund saw year on year returns of 19% on the back of global corporate earnings growth.

As always, we continue to innovate and search for new opportunities. In early 2020 we launched the Peso Global Technology fund as we believe policyholders will benefit by participating in the growth of this sector globally. Technology companies have proven resilient in the current pandemic and will continue to help humanity adjust to the new normal.

I would like to assure you, our dear policyholders, that our entire team is focused on delivering the best possible returns for our **Wealth Series Funds** through prudent investing both in the domestic and global markets and as aligned with the fund objectives.

Lastly, allow me to take this moment to thank you for giving us your trust and confidence during these trying times. As we approach our 110th Anniversary in November, be assured that the welfare of the Filipino will always be utmost in our hearts and minds

*Mbdela Cruz*

MONA LISA DE LA CRUZ

President and Chief Executive Office

# FUND MANAGER'S REPORT

## PESO FIXED INCOME FUND

### FUND PERFORMANCE

Peso Fixed Income Fund posted a YoY return of 13.65%, ending 2019 with a NAVPU of Php 2.01189. Last year was a fantastic year for bonds with interest rates falling by as much as 200 basis points on account of declining inflation and rate cuts by the Bangko Sentral ng Pilipinas (BSP). The Fund continues to invest in a mix of government and corporate bonds and short-term securities.

### MARKET REVIEW

Philippine headline inflation fell from 4.4% in January to 0.8% in October primarily due to high base effects as well as lower food prices given new legislation that removes quotas on rice imports and the government's openness to importation during periods of short supply. Consumer Price Index averaged 2.5% in 2019 from 5.2% in 2018. This allowed the BSP to cut policy rates three times (3x) for a total of 75bps to 4.0% in 2019, partly dialing back the 175bps rate hike the previous year. Further, the BSP also cut the reserve requirement for banks by 400bps from 18% to 14%. Indeed, the successive monetary rate cuts helped the economy bounce back to 6.2% YoY growth in Q3-2019 after registering its lowest growth in four years of 5.5% YoY in the first quarter of 2019. The local yield curve likewise tracked the downward movement in US Treasuries amid the escalated trade tensions wherein funds flowed to relatively safe-haven assets on a risk-off move.

### OUTLOOK

BSP maintained forecasts for average inflation until 2021 at the mid-point of its target range and kept policy rate at 4% for the rest of the year. We think the BSP will continue to cut the bank reserve requirement as Governor Diokno vowed to bring down the ratio to single digit to support growth and reinforce market confidence amidst concerns over a global economic slowdown. Ample liquidity brought by further RRR cuts and huge bond maturities next year should continue to provide support for the local bond market.

# FUND MANAGER'S REPORT

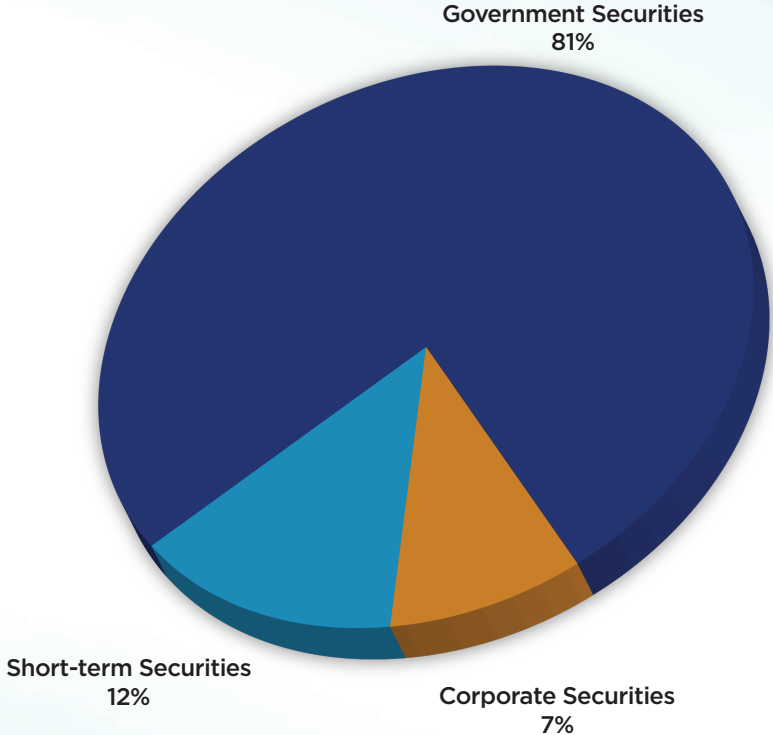
## PESO FIXED INCOME FUND

Fund Distribution by Market Value

### TOP HOLDINGS

#### Government Securities:

- Philippine Government Bond due 2033
- Philippine Government Bond due 2031
- Philippine Government Bond due 2023
- Philippine Government Bond due 2022
- Philippine Government Bond due 2020



# FUND MANAGER'S REPORT

## EQUITY FUND

### FUND PERFORMANCE

The Equity Fund closed the year with a NAVPU of Php 4.565553, up by 0.6% from the previous year. The Fund under performed the Philippine Stock Exchange Index (PSEi), which posted a 4.7% growth for the year. Volatility of the Fund was lower at 10.6% versus the PSEi's 14.8% (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 firms, consumer-related companies, and property developers. Cash position of the Fund was 7.1% by year-end as we prepare for 2020.

For 2020, the Fund will retain its diversified position across the business sectors of the country. Focus will be maintained in the conglomerate and consumer sector, with a long-term view of an expanding economy given the continuing drive to improve infrastructure and a resilient consumer base.

### MARKET REVIEW

The Philippine Stock Exchange Index (PSEi) started the year strong as it continued to trek higher from its lows. The local bourse was poised for a sharp recovery as the headwinds that dragged the market the previous year appeared to be normalizing already. Inflation was on a downward trend, and the series of policy rate hikes by the Bangko Sentral ng Pilipinas (BSP) had finally come to an end.

The momentum was halted after Philippine GDP for 1Q2019 reported a slowdown on account of the delay in the passing of the national budget.

The PSEi eventually resumed its rally, rising as much as 12.0% by the middle of July before giving in to selling pressures due to uncertainties in the global front. Risk aversion reemerged as the US-China trade conflict continued to escalate. Adding to the negative sentiment was the

cancellation of the 15-year contract extension of the water concessionaires due to provisions considered by the current administration as disadvantageous to the general public. What was supposed to be an issue isolated only to water concessionaires also weighed down on other stocks as the sanctity of contracts in the Philippines were put into question.

Net foreign selling for the year was Php 14.5 billion. Contributing to foreign selling flows was the decrease in weighting of the Philippine market in the MSCI rebalancing, to give way to the inclusion of China-A shares. The PSEi ended the year at 7,815.26, translating to a YTD growth of 4.7%.

### OUTLOOK

2020 may be another volatile year for the Philippine market given mixed signals in the local and global front.

Recent developments in the water utility sector may be perceived as a precursor to an environment of heightened political and regulatory risks in other industries with government contracts. Negative sentiment stemming from this issue may linger until the government and the water concessionaires agree to terms acceptable to both parties.

Recall also that China was reportedly intent on cracking down POGO operations in the Philippines. This should have an adverse impact if China follows through, given POGO's significant contribution in the country's consumer spending.

Nonetheless, we are still optimistic that the government will deliver on its commitment on increasing infrastructure spending. It is also encouraging that monetary policy in the country remains supportive of economic growth.

Moreover, the signing of the Phase One trade deal between US and China is quite promising and may be considered as one step towards the eventual resolution of the long-standing trade conflict between the two economic powers.



# FUND MANAGER'S REPORT

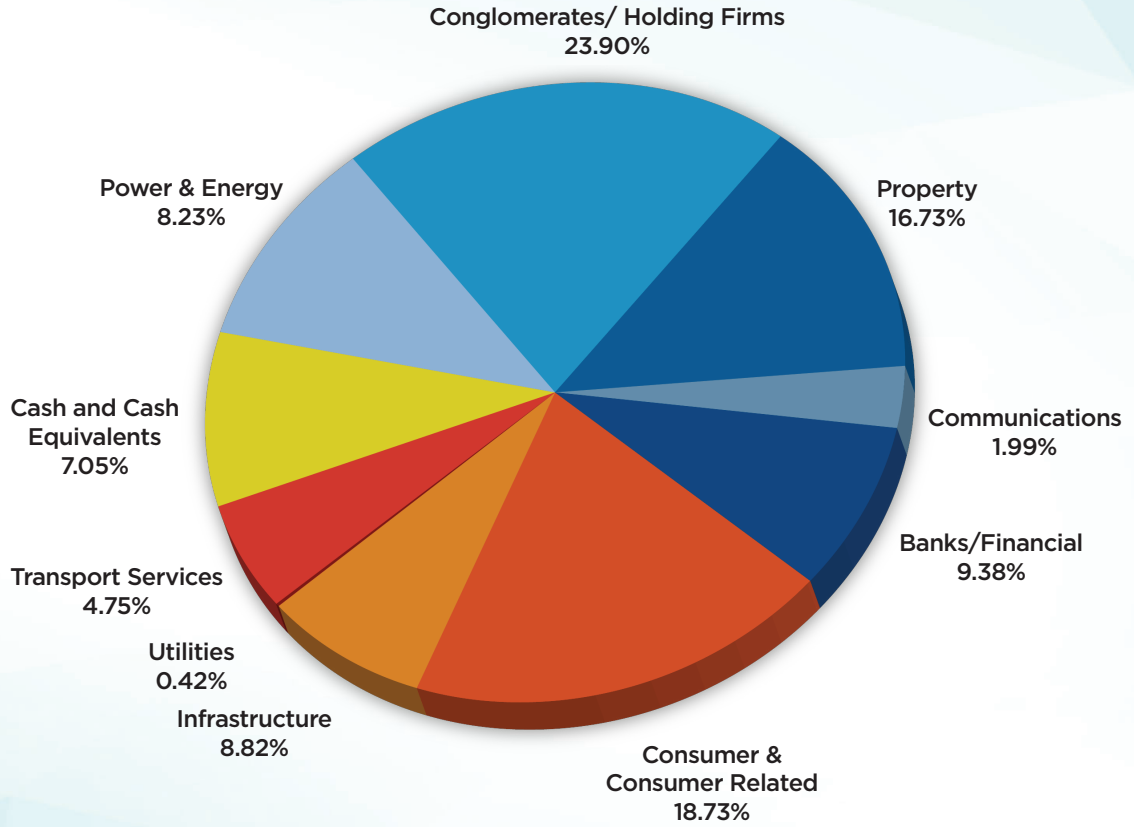
## EQUITY FUND STOCK LIST

As of December 31, 2019

AC	Ayala Corporation
AEV	Aboitiz Equity Ventures, Inc.
AGI	Alliance Global Group, Inc.
ALI	Ayala Land, Inc.
AP	Aboitiz Power Corporation
BDO	BDO Unibank, Inc.
BPI	Bank of the Philippine Islands
CEB	Cebu Air, Inc.
CNPF	Century Pacific Food Inc
DMC	DMCI Holdings, Inc.
DNL	D&L Industries Inc
EAGLE	Eagle Cement Corporation
EEL	EEL Corporation
EW	East West Banking Corp.
FB	San Miguel Food and Beverage
FDC	Filinvest Development Corp.
FGEN	First Gen Corporation
FLI	Filinvest Land, Inc.
FPH	First Philippine Holdings Corporation
GLO	Globe Telecom Inc.
GTCAP	GT Capital Holding Inc. Com
ICT	International Container Terminal Service
JFC	Jollibee Foods Corporation
JGS	JG Summit Holdings
LPZ	Lopez Holdings Corporation
MAC	Macroasia Corporation
MAXS	Max's Group Inc.
MBT	Metropolitan Bank and Trust
MEG	Megaworld Corporation
MER	Manila Electric Company
MPI	Metro Pacific Investments Corp
MWC	Manila Water Company
MWIDE	Megawide Construction Corp
PBB	Philippine Business Bank
PCOR	Petron Corporation
PGOLD	Puregold Price Club Inc
PIZZA	Shakeys Pizza Asia Ventures
RLC	Robinsons Land Corp
RRHI	Robinsons Retail Holdings Inc.
SCC	Semirara Mining Corp
SECB	Security Bank Corporation
SHLPH	Pilipinas Shell
SM	SM Investments Corp
SMC	San Miguel Corporation
SMPH	SM Prime Holdings Inc
SSI	SSI Group Inc.
TEL	PLDT Inc.
UBP	Union Bank of the Philippines
URC	Universal Robina Corporation
VLL	Vista Land & Lifescapes
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. Global equities rose rapidly following an accommodative monetary policy stance adopted by the US Federal Reserve. The Target Fund maintains focus on income generating stocks and underweight on more cyclical areas of the market. In 2019, PGEF delivered 19% return and ended the year with Net Asset Value per Unit (NAVPU) of Php 1.169805.

### MARKET REVIEW

Global equities advanced strongly in the fourth quarter of 2019. The US and China announced an agreement on a 'phase one' trade deal, easing tensions over the 18-month trade dispute that unnerved financial markets and hurt global economic sentiment. US equities also gained due to an accommodative monetary policy stance by the US Federal Reserve. The central bank cut interest rates for the third time in 2019 and signaled no change in 2020. European stocks delivered positive returns on a better than expected third quarter results season against lowered consensus expectations. Reduced political uncertainty following the Conservative Party's convincing majority in the UK elections added to the strength in UK and European stocks. Equities in export-oriented Japan registered an increase due to the yen's weakness against the US dollar and Prime Minister Shinzo Abe's announcement of a \$120 billion (¥13 trillion) fiscal stimulus package. The move should help the world's third-largest economy to overcome the aftermath of the recent natural disasters, alleviate the impact of the recent tax hike and survive a potential economic slowdown after an expected uplift during the summer Olympics. Emerging market equities also rallied. Chinese equities

advanced amid policy support measures implemented by the government and an indefinite delay of new tariffs by the US that were set to take effect during the quarter. At a sector level, cyclicals such as financials and information technology (IT) were favored by investors, while defensives such as consumer staples and utilities lagged the broader market.

### OUTLOOK

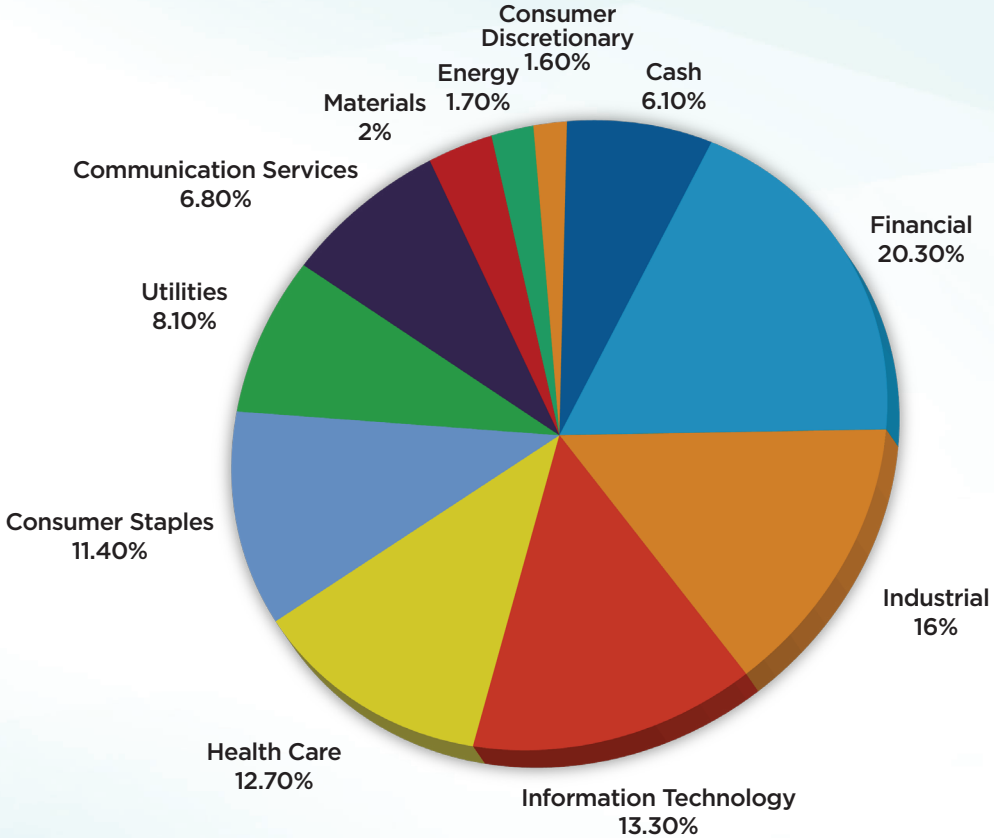
The current market environment is characterized by significantly above long-term average valuations, very high levels of corporate profitability and stretched corporate balance sheets. On a positive note, persistently low interest rates increase the relative attractiveness of equities for investors looking for a balance of income and growth. As such, continuous focus is on identifying a margin of safety, capital preservation and maintaining a strict valuation discipline. The portfolio remains defensively positioned and higher quality stocks within financials and stable and income-generating stocks in the technology space are well represented. Meanwhile, the Target Fund is underweight in the more cyclical areas of the market such as materials and energy.

# FUND MANAGER'S REPORT

## PESO GLOBAL EQUITY FUND

Fund Distribution by Market Value

TARGET FUND'S TOP 10 HOLDINGS	
As of December 31, 2019	
<b>BBG TICKER</b>	
ROG SW Equity	Roche Holding LTD
DBI GR Equity	Deutsche Boerse AG
USB US Equity	US Bancorp Del
2330 TT Equity	Taiwan Semiconductor Mfg Co Ltd
ULVR LN Equity	Unilever PLC
SU FP Equity	Schneider Elec SA
CSCO US Equity	Cisco Systems Inc
INF LN Equity	Infarma PLC
REL LN Equity	Relx PLC
WKL NA Equity	Wolters Kluwer NV



# FUND MANAGER'S REPORT

## GROWTH FUND

### FUND PERFORMANCE

Growth Fund closed 2019 with a NAVPU of Php 1.637805, up 4.1% from the previous year. The Fund lagged the Philippine Stock Exchange Index (PSEi), which grew 4.7% YoY. Underperformance was due to the Fund's significant exposure in infrastructure-related stocks, some of which were associated with the water concessionaires that have a contract dispute with the government.

The Fund remained overweight on companies exposed in consumer and infrastructure sectors, all of which were believed to outperform the market during the period. Cash position of the Fund was 8.2% to cushion against expected volatility next year.

For 2020, the Fund will still be biased on consumer and infrastructure related stocks, on the back of the government's continued push for infrastructure growth which is expected to have a multiplier effect on household consumption. This is consistent with the Fund's long-term strategy to overweight exposure in the growth sectors of the Philippine economy.

### MARKET REVIEW

The Philippine Stock Exchange Index (PSEi) started year strong as it continued to trek higher from its lows. The local bourse was poised for a sharp recovery as the headwinds that dragged the market last year appeared to be normalizing already. Inflation was on a downward trend, and the series of policy rate hikes by the Bangko Sentral ng Pilipinas (BSP) had finally come to an end.

The momentum was halted after Philippine GDP for 1Q2019 reported a slowdown on account of the delay in the passing of the national budget. The PSEi eventually resumed its rally, rising as much as 12.0% by the middle

of July before giving in to selling pressures due to uncertainties in the global front. Risk aversion reemerged as the US-China trade conflict continued to escalate. Adding to the negative sentiment was the cancellation of the 15-year contract extension of the water concessionaires due to provisions considered by the current administration as disadvantageous to the general public. What was supposed to be an issue isolated only to water concessionaires also weighed down on other stocks as the sanctity of contracts in the Philippines were put into question. Net foreign selling for the year was Php 14.5 billion. Contributing to foreign selling flows was the decrease in weighting of the Philippine market in the MSCI rebalancing, to give way to the inclusion of China-A shares.

The PSEi ended the year at 7,815.26, translating to a YTD growth of 4.7%.

### OUTLOOK

2020 may be another volatile year for the Philippine market given mixed signals in the local and global front.

Recent developments in the water utility sector may be perceived as a precursor to an environment of heightened political and regulatory risks in other industries with government contracts. Negative sentiment stemming from this issue may linger until the government and the water concessionaires agree to terms acceptable to both parties. Recall also that China was reportedly intent on cracking down POGO operations in the country. This should have an adverse impact if China follows through, given POGO's significant contribution in the country's consumer spending.

Nonetheless, we are still optimistic that the government will deliver on its commitment on increasing infrastructure spending. It is also encouraging that monetary policy in the country remains supportive of economic growth. Moreover, the signing of the Phase One trade deal between US and China is quite promising and may be considered as one step towards the eventual resolution of the long-standing trade conflict between the two economic powers.



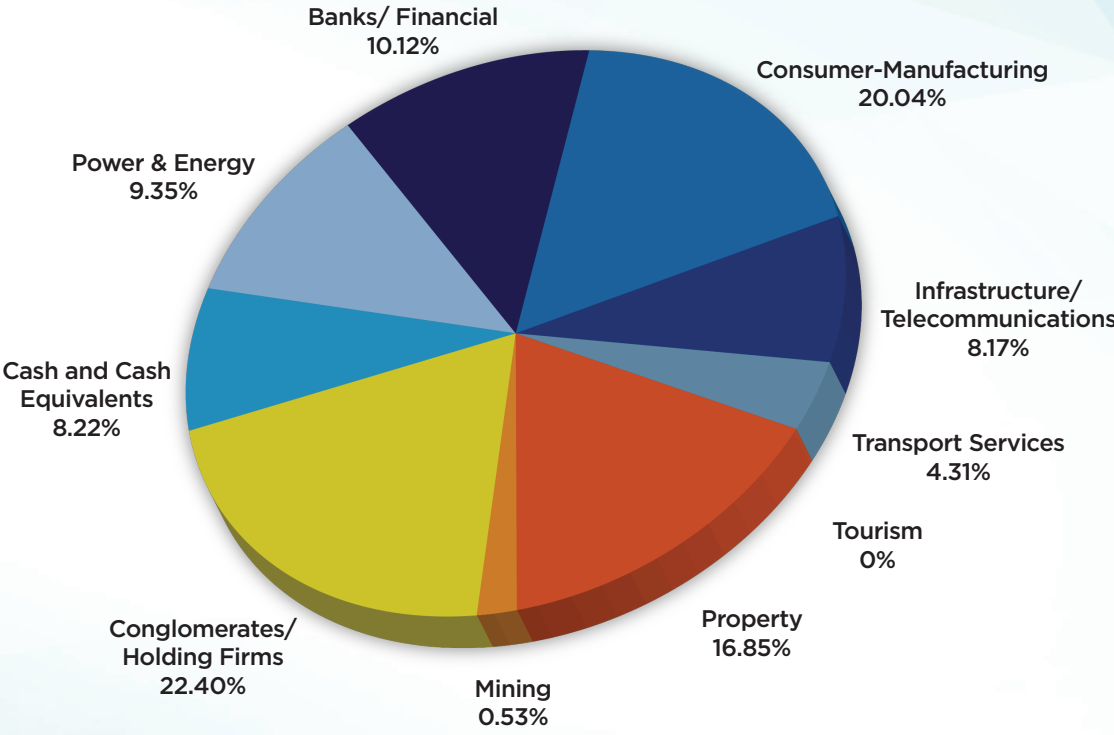
# FUND MANAGER'S REPORT

## GROWTH FUND STOCK LIST

As of December 31, 2019

AEV	Aboitiz Equity Ventures
AP	Aboitiz Power Corp.
ACEPH	AC Energy Philippines, Inc.
AGI	Alliance Global Group, Inc.
ALI	Ayala Land, Inc.
AC	Ayala Corporation
BDO	BDO Unibank Inc.
CIC	Concepcion Industrial Corp.
CNPF	Century Pacific Food Inc
CLI	Cebu Landmasters, Inc.
DNL	D&L Industries Inc.
DELM	Del Monte Pacific Ltd
DMC	DMCI Holdings, Inc.
EAGLE	Eagle Cement Corporation
EW	East West Banking Corp.
EEL	EEL Corporation
FGEN	First Gen Corporation
FPH	First Philippine Holdings Corp.
GLO	Globe Telecom Inc.
GTCAP	GT Capital Holding, Inc. Com
ICT	International Container Terminal Service
JGS	JG Summit Holdings, Inc.
LPZ	Lopez Holdings Corporation
MAC	Macroasia Corporation
MAXS	Max's Group Inc.
MWIDE	Megawide Construction Corp
MEG	Megaworld Corporation
MPI	Metro Pacific Investments Corp.
MBT	Metropolitan Bank and Trust
NIKL	Nickel Asia Corp.
PCOR	Petron Corporation
PX	Philex Mining Corporation
PXP	PXP Energy Corporation
SHLPH	Pilipinas Shell
PBB	Philippine Business Bank
PGOLD	Puregold Price Club Inc.
RLC	Robinsons Land Corporation
RRHI	Robinsons Retail Holdings Inc.
SECB	Security Bank Corporation
SMC	San Miguel Corporation
FB	San Miguel Food and Beverage, Inc.
SCC	Semirara Mining Corporation
SM	SM Investments Corporation
SMPH	SM Prime Holdings, Inc.
SSI	SSI Group Inc.
URC	Universal Robina Corporation
VLL	Vista Land & Lifescapes
WLCON	Wilcon Depot Inc.

## GROWTH FUND Fund Distribution by Market Value



# FUND MANAGER'S REPORT

## O.N.E. FUND (Own the New Economy)

### FUND PERFORMANCE

The ONE Fund closed 2019 at Php 0.960709, down 5.4% from the previous year. The Fund underperformed the Philippine Stock Exchange Index (PSEi), which was up 4.7% for the year. Volatility of the Fund was lower at 9.7% versus the PSEi's 14.8% (Note: The volatility was based on the annualized standard deviation of daily returns of the portfolio and the PSEi).

The Fund remains overweight in consumer related stocks as the Philippines remains a consumer driven economy. Portfolio composition of the Fund is consistent with its mandate of representing the GDP drivers of the country. Cash position of the Fund was 4.02% by year-end on expectations of a recovery in 2020.

### MARKET REVIEW

The Philippine Stock Exchange Index (PSEi) started year strong as it continued to trek higher from its lows. The local bourse was poised for a sharp recovery as the headwinds that dragged the market last year appeared to be normalizing already. Inflation was on a downward trend already, and the series of policy rate hikes by the Bangko Sentral ng Pilipinas (BSP) have finally come to an end.

The momentum was halted after Philippine GDP for 1Q2019 reported a slowdown on account of the delay in the passing of the national budget. The PSEi eventually resumed its rally, rising as much as 12.0% by the middle of July before giving in to selling pressures due to uncertainties in the global front. Risk aversion reemerged as the US-China trade conflict continued to escalate. Adding to the negative sentiment was the cancellation of the 15-year contract extension of the water concessionaires

due to provisions considered by the current administration as disadvantageous to general public. What was supposed to be an issue isolated only to water concessionaires also weighed down on other stocks as the sanctity of contracts in the Philippines were put into question. Net foreign selling for the year was Php 14.5 billion. Contributing to foreign selling flows was the decrease in weighting of the Philippine market in the MSCI rebalancing, to give way to the inclusion of China-A shares. The PSEi ended the year at 7,815.26, translating to a YTD growth of 4.7%.

### OUTLOOK

2020 may be another volatile year for the Philippine market given mixed signals in the local and global front.

Recent developments in the water utility sector may be perceived as a precursor to an environment of heightened political and regulatory risks in other industries with government contracts. Negative sentiment stemming from this issue may linger until the government and the water concessionaires agree to terms acceptable to both parties. Recall also that China was reportedly intent on cracking down POGO operations in the Philippines. This should have an adverse impact if China follows through, given POGO's significant contribution in the country's consumer spending.

Nonetheless, we are still optimistic that the government will deliver on its commitment on increasing infrastructure spending. It is also encouraging that monetary policy in the country remains supportive of economic growth. Moreover, the signing of the Phase One trade deal between US and China is quite promising and may be considered as one step towards the eventual resolution of the long-standing trade conflict between the two economic powers.

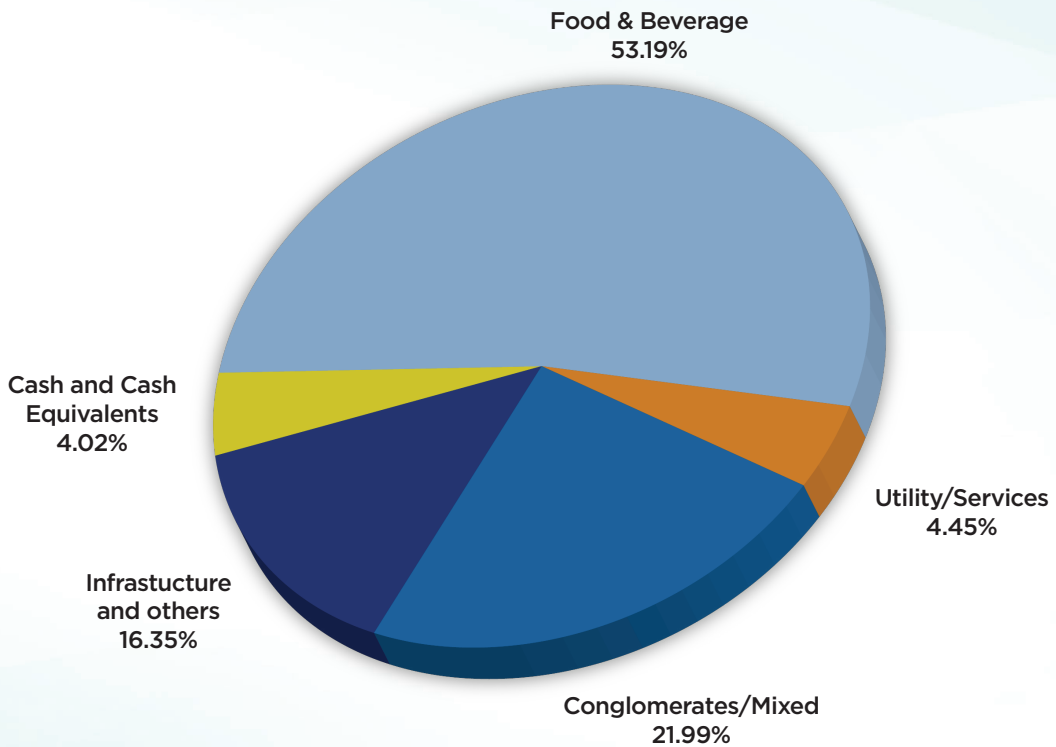
# FUND MANAGER'S REPORT

## O.N.E FUND STOCK LIST

As of December 31, 2019

AC	Ayala Corporation
ALI	Ayala Land, Inc.
BPI	Bank of the Philippines Islands
CNPF	Century Pacific Food Inc
DMC	DMCI Holdings, Inc.
EAGLE	Eagle Cement Corporation
EEI	EEI Corporation
FB	San Miguel Food and Beverage
JFC	Jollibee Foods Corporation
MAC	Macroasia Corporation
MAXS	Max's Group Inc.
MER	Manila Electric Company
MPI	Metro Pacific Investments Corp.
MWC	Manila Water Company
MWIDE	Megawide Construction Corp
PGOLD	Puregold Price Club Inc.
PIZZA	Shakeys Pizza Asia Ventures
RRHI	Robinsons Retail Holdings Inc.
RLC	Robinsons Land Corp
SHLPH	Pilipinas Shell Petroleum Corp.
SM	SM Investments Corporation
SMPH	SM Prime Holdings, Inc.
WLCON	Wilcon Depot Inc.

## O.N.E. FUND (Own the New Economy) Fund Distribution by Market Value



# FUND MANAGER'S REPORT

## SELECT EQUITIES FUND (SEF)

### FUND PERFORMANCE

Select Equities Fund (SEF) NAVPU closed 2019 at Php 0.860929, up 4.4% from the previous year. The Fund lagged the Philippine Stock Exchange Index (PSEi), which was up 4.7% for the year. Underperformance was mainly due to water utility related stocks in the portfolio that were heavily sold down at the tail-end of the year amid their contract dispute against the government. SEF volatility was lower at 13.8% versus the PSEi's 14.8% (Note: The volatility was based on the annualized standard deviation of daily returns of the portfolio and the PSEi).

### MARKET REVIEW

The Philippine Stock Exchange Index (PSEi) started the year strong as it continued to trek higher from its lows. The local bourse was poised for a sharp recovery as the headwinds that dragged the market last year appeared to be normalizing already. Inflation was on a downward trend already, and the series of policy rate hikes by the Bangko Sentral ng Pilipinas (BSP) have finally come to an end.

The momentum was halted after Philippine GDP for 1Q2019 reported a slowdown on account of the delay in the passing of the national budget.

The PSEi eventually resumed its rally, rising as much as 12.0% by the middle of July before giving in to selling pressures due to uncertainties in the global front. Risk aversion reemerged as the US-China trade conflict continued to escalate. Adding to the negative sentiment was the cancellation of the 15-year contract extension of the water concessionaires due to provisions considered by the current administration as disadvantageous to general public. What was supposed to be an issue isolated only to water concessionaires also weighed down on other stocks

as the sanctity of contracts in the Philippines were put into question. Net foreign selling for the year was Php 14.5 billion. Contributing to foreign selling flows was the decrease in weighting of the Philippine market in the MSCI rebalancing, to give way to the inclusion of China-A shares.

The PSEi ended the year at 7,815.26, translating to a YTD growth of 4.7%.

### OUTLOOK

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Recent developments in the water utility sector may be perceived as a precursor to an environment of heightened political and regulatory risks in other industries with government contracts. Negative sentiment stemming from this issue may linger until the government and the water concessionaires agree to terms acceptable to both parties.

Recall also that China was reportedly intent on cracking down POGO operations in the Philippines. This should have an adverse impact if China follows through, given POGO's significant contribution in the country's consumer spending.

Nonetheless, we are still optimistic that the government will deliver on its commitment on increasing infrastructure spending. It is also encouraging that monetary policy in the country remains supportive of economic growth.

Moreover, the signing of the Phase One trade deal between US and China is quite promising and may be considered as one step towards the eventual resolution of the long-standing trade conflict between the two economic powers.

# FUND MANAGER'S REPORT

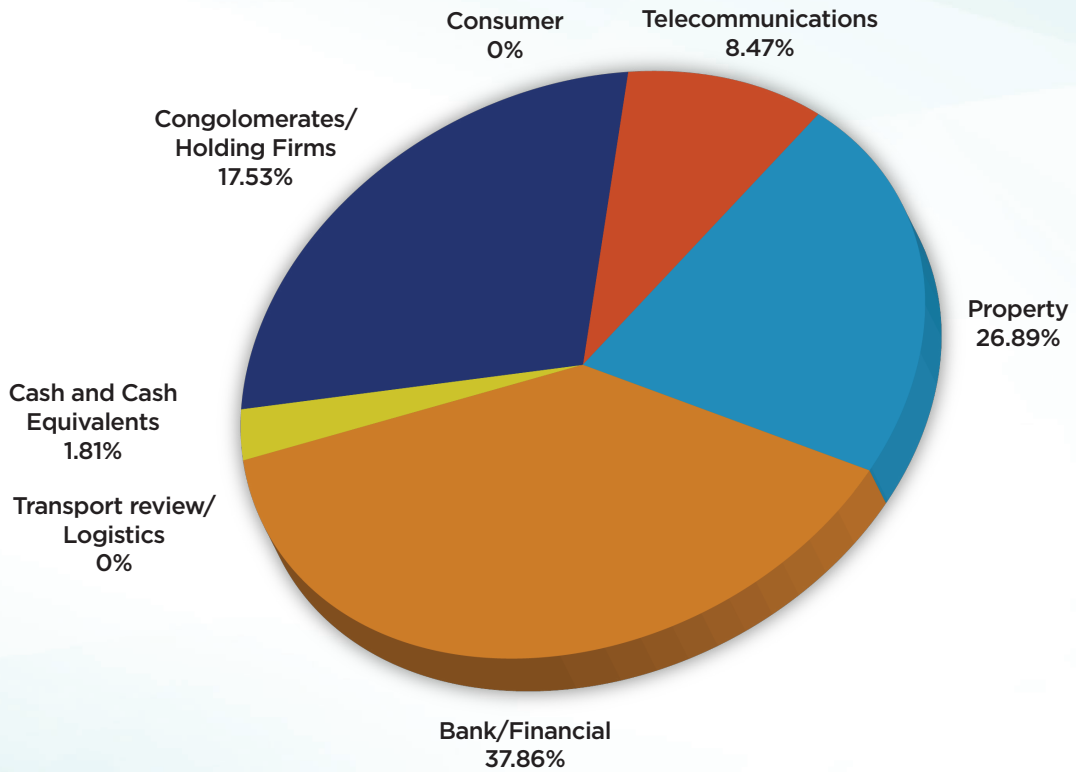
## SELECT EQUITIES FUND Fund Distribution by Market Value

**COMPOSITION OF SEF AS OF 31 DECEMBER 2019 IS AS FOLLOWS:**

AC	Ayala Corporation
ALI	Ayala Land, Inc.
BDO	BDO Unibank
BPI	Bank of the Philippine Islands
MBT	Metropolitan Bank and Trust Company
MEG	Megaworld Corporation
MPI	Metro Pacific Investments Corporation
SECB	Security Bank Corporation
SM	SM Investments Corporation
SMPH	SM Prime Holdings Corporation
TEL	PLDT, Inc.

**RESERVE LIST**

GLO	Globe Telecom, Inc.
GTCAP	GT Capital Holdings, Inc.
ICT	International Container Terminal Service
JGS	JG Summit Holdings, Inc.
URC	Universal Robina Corporation





# FUND MANAGER'S REPORT

## GUARDIAN FUND

### FUND PERFORMANCE

Guardian Fund NAVPU closed 2019 at Php 0.744626, up 3.4% from the previous year. The Fund underperformed the Philippine Stock Exchange Index (PSEi), which was up by 4.7% for the year. Volatility of the Fund remained lower at 11.7% versus the PSEi's 14.8% (Note: The volatility was based on the annualized standard deviation of daily returns of the portfolio and the PSEi). Cash position was maintained at 8.0% as the Fund prepares for market volatility next year.

### MARKET REVIEW

The Philippine Stock Exchange Index (PSEi) started the year strong as it continued to trek higher from its lows. The local bourse was poised for a sharp recovery as the headwinds that dragged the market last year appeared to be normalizing already. Inflation was on a downward trend already, and the series of policy rate hikes by the Bangko Sentral ng Pilipinas (BSP) have finally come to an end.

The momentum was halted after Philippine GDP for 1Q2019 reported a slowdown on account of the delay in the passing of the national budget.

The PSEi eventually resumed its rally, rising as much as 12.0% by the middle of July before giving in to selling pressures due to uncertainties in the global front. Risk aversion reemerged as the US-China trade conflict continued to escalate. Adding to the negative sentiment was the cancellation of the 15-year contract extension of the water concessionaires due to provisions considered by the current administration as disadvantageous to general public. What was supposed to be an issue isolated only to water concessionaires also weighed down on other stocks as the sanctity of contracts in the Philippines were put into question.

Net foreign selling for the year was Php 14.5 billion. Contributing to foreign selling flows was the decrease in weighting of the PHL market in the MSCI rebalancing, to give way to the inclusion of China-A shares.

The PSEi ended the year at 7,815.26, translating to a YTD growth of 4.7%.

### OUTLOOK

2020 may be another volatile year for the Philippine market given mixed signals in the local and global front.

Recent developments in the water utility sector may be perceived as a precursor to an environment of heightened political and regulatory risks in other industries with government contracts. Negative sentiment stemming from this issue may linger until the government and the water concessionaires agree to terms acceptable to both parties.

Recall also that China was reportedly intent on cracking down POGO operations in the Philippine. This should have an adverse impact if China follows through, given POGO's significant contribution in the country's consumer spending.

Nonetheless, we are still optimistic that the government will deliver on its commitment on increasing infrastructure spending. It is also encouraging that monetary policy in the country remains supportive of economic growth.

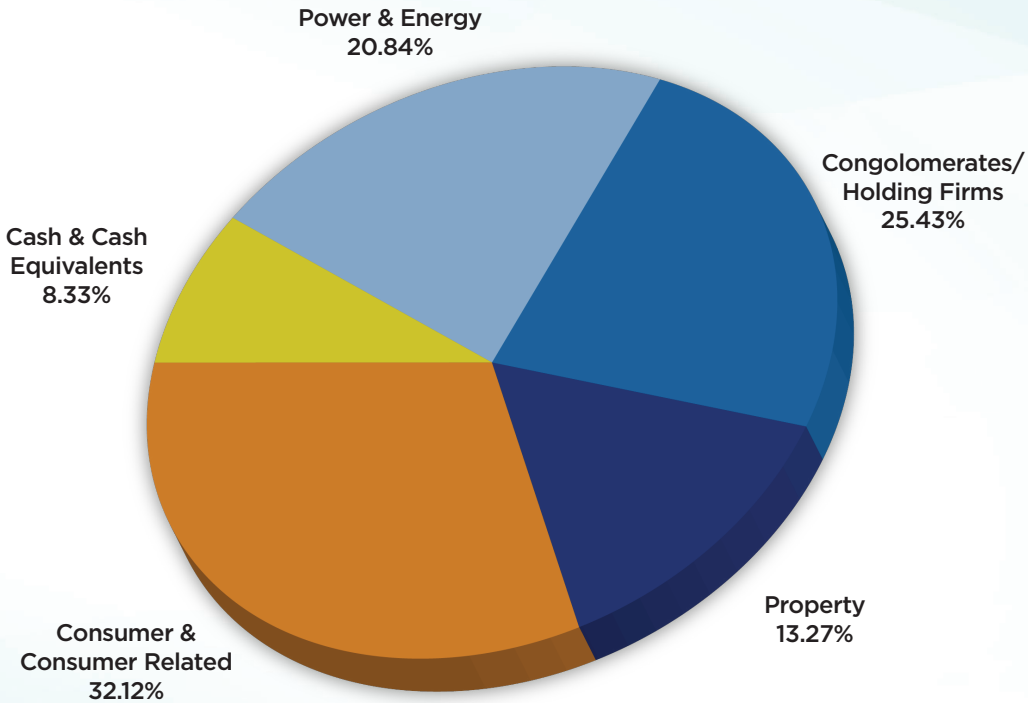
Moreover, the signing of the Phase One trade deal between US and China is quite promising and may be considered as one step towards the eventual resolution of the long-standing trade conflict between the two economic powers.

# FUND MANAGER'S REPORT

## GUARDIAN FUND Fund Distribution by Market Value

**COMPOSITION OF GUARDIAN FUND AS OF 31 DECEMBER 2019 IS AS FOLLOWS:**

AC	Ayala Corporation
FGEN	First Gen Corporation
DNL	D&L Industries, Inc.
GTCAP	GT Capital Holdings, Inc.
JGS	JG Summit Holdings, Inc.
MWIDE	Megawide Construction Corporation
PGOLD	Puregold Price Club, Inc.
RLC	Robinsons Land Corporation
RRHI	Robinsons Retail Holdings, Inc.
SCC	Semirara Mining and Power Corporation



# FUND MANAGER'S REPORT

## BALANCED FUND

### FUND PERFORMANCE

Balanced Fund ended the year with a NAVPU of 2.975399, up 7.0% from the previous year. 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

The Philippine Stock Exchange Index (PSEi) ended the year at 7,815.26, translating to a YoY growth of 4.7%. The index started the year strong as previous headwinds appeared to normalize. Inflation was on a downward trend, while the series of policy rate hikes by the Bangko Sentral ng Pilipinas (BSP) in 2018 have finally come to an end this year. The momentum, however, was halted after Philippine GDP for Q1 2019 reported a slowdown on account of the delay in the passing of the national budget. The PSEi eventually resumed its rally before giving in to selling pressures due to uncertainties in the global front, specifically the continued escalation of the US-China trade conflict. Adding to the negative sentiment was the cancellation of the 15-year contract extension of the water concessionaires due to alleged onerous provisions. This consequently weighed down on other stocks as the sanctity of contracts in the Philippines were put into question.

Local yields declined by as much as 200 basis points (bps) in 2019 on account of declining inflation and rate cuts by the BSP. Headline inflation averaged 2.5% in 2019 from 5.2% in 2018 due to high base effects as well as lower food prices amid the passage of the rice tariffication act. The decline in inflation rate allowed the BSP to cut policy rates three times (3x) for a total of 75 bps to 4.0% in 2019. The BSP also cut the reserve requirement ratio (RRR) for banks by 400 bps to 14%. These easing measures helped the economy bounced back to 6.2% YoY GDP growth

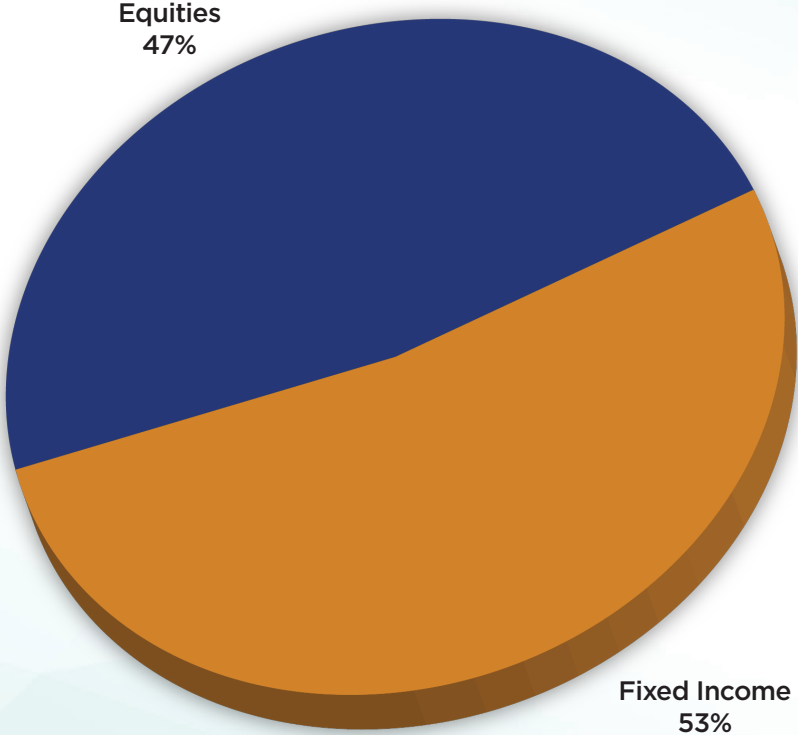
in Q3-2019 from its lowest growth in four years of 5.5% YoY in Q1 2019. The local yield curve also tracked the downward movement in US Treasuries as trade tensions escalated, causing risk-off sentiment.

### OUTLOOK

The year 2020 may be another volatile year for the Philippine stock market given mixed signals in the local and global front. Negative sentiment stemming from the recent developments in the water utility sector may linger, while China's crackdown of POGO operations in the Philippines could have an adverse impact in the country's consumer spending if it follows through. Nonetheless, we are still optimistic that the government will deliver on its commitment on increasing infrastructure spending. Monetary policy in the country also provides encouragement as it remains supportive of economic growth. The signing of Phase One trade deal between the US and China is also quite promising and may be considered as one step towards the eventual resolution of the long-standing trade conflict between the two economic powers. While for the local bond market, ample liquidity brought by the expected further RRR cuts and huge bond maturities next year should continue to provide support.

## BALANCED FUND

Fund Distribution by Market Value



# FUND MANAGER'S REPORT

## DOLLAR FIXED INCOME FUND

### FUND PERFORMANCE

In 2019, ROP yield curve shifted downward by 125 bps on average year-on-year (YoY). Given that yields move in opposite direction from prices, the Dollar Fixed Income Fund increased by 10.7% YoY to USD1.677428 Net Asset Value per Unit (NAVPU) in 2019.

### MARKET REVIEW

The year started with optimism as trade negotiations took place between the U.S. and China. The two countries talked about several trade issues such as intellectual property and technology transfer. However, negotiations faltered at the start of the year, with both countries raising tariffs against each other. Concerns over slowdown in global economic growth trickled in amid several weak economic data releases and cuts in growth outlook. The International Monetary Fund (IMF) as well as the World Bank reduced their growth outlook mainly on the back of slowdown in trade. In line with this, the U.S. Federal Reserve (Fed) dropped its 2019 rate hike forecast to zero from two and eventually opened the possibility of a reduction in rates. In July, the Fed enacted a 25-bps interest rate cut for the first time since the Global Financial Crisis. The cut was the first of the total 75 bps Fed rate cut during the year. In the latter part of 2019, optimism was renewed as the U.S. and China agreed to restart trade talks. China offered to ramp up its purchases of U.S. agricultural products in exchange for the delay in the implementation of a tariff increase on some of its goods. The restart in trade talks fueled expectations of a temporary trade deal between the two countries.

On the local front, inflation rate continued its downward trend in 2019, falling to its lowest level of 0.8% in October. Ease in price pressures as well as weak domestic and global economic activity led the Bangko

Central ng Pilipinas (BSP) to cut policy rates by a total of 75 bps during the year. Inflation rate in the last two months of 2019 gradually picked up due to higher prices in alcoholic beverages and tobacco as well as in housing, water, electricity, gas and other fuels. The full-year average inflation rate logged in at 2.5%, well within BSP's target band of 2% to 4%.

### OUTLOOK

Sentiment is still expected to be swayed by trade developments between the US and China until the potential signing of Phase 1 trade accord in January. Once settled, focus is likely to shift to global economic growth and the effect of previous monetary policy decisions from key central banks in their respective economies.



# FUND MANAGER'S REPORT

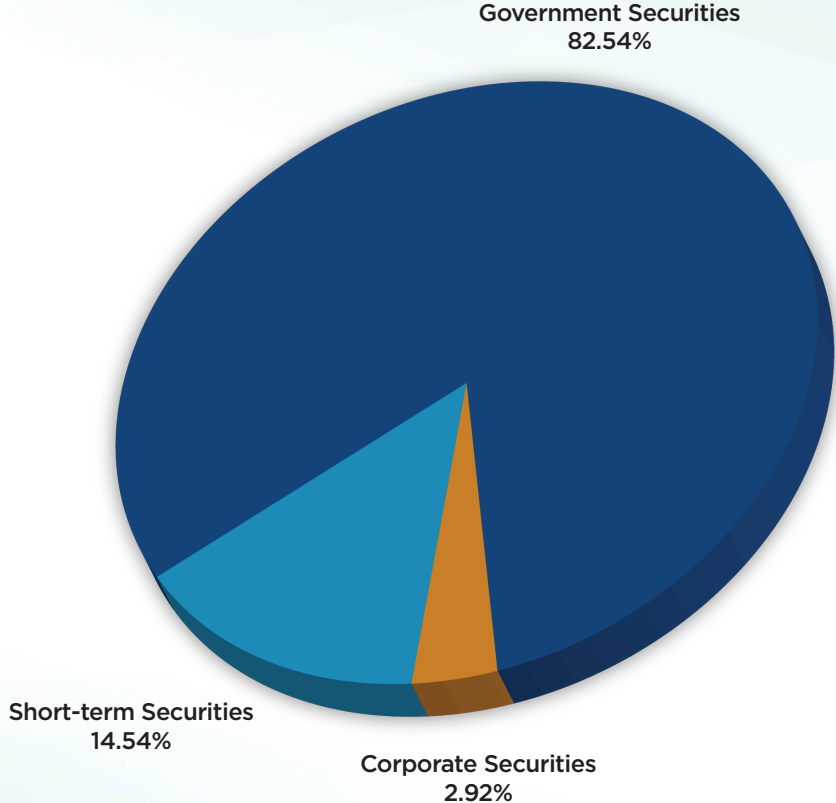
## DOLLAR FIXED INCOME FUND

Fund Distribution by Market Value

**TOP HOLDINGS**

**Government Securities:**

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



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

### OPINION

We have audited the accompanying combined financial statements of Insular Life Wealth Series Funds (the “Separate Funds”), which comprise the combined statements of financial position as at December 31, 2019 and 2018, and the combined statements of comprehensive income, combined statements of changes in net assets attributable to unitholders, and combined statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information. In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the Insular Life Wealth Series Funds as at December 31, 2019 and 2018, 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 Combined 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.

## INDEPENDENT AUDITORS’ REPORT

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

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

In preparing the combined financial statements, management is responsible for assessing the Separate Funds’ 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.

### AUDITORS’ RESPONSIBILITIES FOR THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# INDEPENDENT AUDITORS' REPORT

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

We also:

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

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.

SYCIP GORRES VELAYO & CO.



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. 8125203, January 7, 2020, Makati City

April 23, 2020



# INSULAR LIFE WEALTH SERIES FUNDS

## COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2019

### Peso Investment Funds

	Balanced Fund	Fixed Income Fund	Equity Fund	Growth 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	Asian Emerging Companies Fund
<b>ASSETS</b>												
Cash and cash equivalents (Note 4)	P 132,131	P 276,442,992	P 937,775,642	P 356,384,627	P –	P –	P 66,018,852	P 449,466,987	P 51,653,101	P 22,746,229	P 17,978,450	P –
Financial assets at fair value through profit or loss (Note 5):												
Debt securities	–	2,299,412,944	–	–	298,747,500	145,845,000	–	–	–	–	–	–
Equity securities	–	–	12,083,807,823	3,948,807,783	–	–	3,660,982,504	–	598,402,059	1,652,317,273	441,063,160	–
Investment in fixed income fund	1,063,949,347	–	–	–	–	–	–	–	–	–	–	–
Investment in equity fund	955,516,165	–	–	–	–	–	–	–	–	–	–	–
Receivables (Note 6):												
Subscriptions receivable	712,502	25,262,136	25,275,120	3,871,472	–	–	1,210,763	–	–	10,432,303	–	–
Investment income receivable	–	23,042,890	10,702,978	3,827,011	–	–	1,846,458	1,178,854	1,220,308	3,783	805,026	–
Other receivables	1,000	2,856,897	2,831,829	3,845	–	–	–	–	1,878,668	5,500	–	–
	<u>2,020,311,145</u>	<u>2,627,017,859</u>	<u>13,060,393,392</u>	<u>4,312,894,738</u>	<u>298,747,500</u>	<u>145,845,000</u>	<u>3,730,058,577</u>	<u>450,645,841</u>	<u>653,154,136</u>	<u>1,685,505,088</u>	<u>459,846,636</u>	<u>–</u>
<b>LIABILITIES (Note 7)</b>												
Accounts payable	2,430,301	–	23,968,999	4,934,790	–	–	–	781,567	1,816,941	–	823,741	–
Accrued and other liabilities	4,154,596	3,791,435	24,765,423	8,258,860	–	–	6,503,078	213,057	1,302,739	1,752,058	951,615	–
	<u>6,584,897</u>	<u>3,791,435</u>	<u>48,734,422</u>	<u>13,193,650</u>	<u>–</u>	<u>–</u>	<u>6,503,078</u>	<u>994,624</u>	<u>3,119,680</u>	<u>1,752,058</u>	<u>1,775,356</u>	<u>–</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>												
	<u>P 2,013,726,248</u>	<u>P 2,623,226,424</u>	<u>P 13,011,658,970</u>	<u>P 4,299,701,088</u>	<u>P 298,747,500</u>	<u>P 145,845,000</u>	<u>P 3,723,555,499</u>	<u>P 449,651,217</u>	<u>P 650,034,456</u>	<u>P 1,683,753,030</u>	<u>P 458,071,280</u>	<u>P –</u>
Number of Units	676,806,627	1,303,860,037	2,849,963,399	2,625,281,924	305,000	150,000	4,325,044,077	414,195,464	872,967,300	1,439,344,641	476,805,580	–
Net Asset Value Per Unit	P 2.98	P 2.01	P 4.57	P 1.64	P 979.50	P 972.30	P 0.86	P 1.09	P 0.74	P 1.17	P 0.96	P –

See accompanying Notes to Combined Financial Statements.

# INSULAR LIFE WEALTH SERIES FUNDS

## COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2019  
Dollar Investment Funds

	Fixed Income Fund	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Euro Blue Chips Dollar Fund	Dollar Money Market Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Balanced Fund Eliminating Entries	Combined Total
<b>ASSETS</b>									
Cash and cash equivalents (Note 4)	P463,303,973	P-	P-	P-	P165,977,302	P-	P-	P-	P2,807,880,286
Financial assets at fair value through profit or loss (Note 5):									
Debt securities	2,723,506,107	149,155,520	481,133,770	374,954,200	-	-	-	-	6,472,755,041
Equity securities	-	-	-	-	-	-	-	-	22,385,380,602
Investment in fixed income fund	-	-	-	-	-	-	-	(1,063,949,347)	-
Investment in equity fund	-	-	-	-	-	-	-	(955,516,165)	-
Receivables (Note 6):									
Subscriptions receivable	469,251	-	-	-	-	-	-	(712,502)	66,521,045
Investment income receivable	49,670,283	-	-	-	377,584	-	-	-	92,675,175
Other receivables	1,266	-	-	-	-	-	-	(5,624,558)	1,954,447
	<u>3,236,950,880</u>	<u>149,155,520</u>	<u>481,133,770</u>	<u>374,954,200</u>	<u>166,354,886</u>	<u>-</u>	<u>-</u>	<u>(2,025,802,572)</u>	<u>31,827,166,596</u>
<b>LIABILITIES (Note 7)</b>									
Accounts payable	-	-	-	-	632	-	-	(2,430,301)	32,326,670
Accrued and other liabilities	4,808,345	-	-	-	85,680	-	-	(3,906,759)	52,680,127
	<u>4,808,345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,312</u>	<u>-</u>	<u>-</u>	<u>(6,337,060)</u>	<u>85,006,797</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>									
	<u>P3,232,142,535</u>	<u>P149,155,520</u>	<u>P481,133,770</u>	<u>P374,954,200</u>	<u>P166,268,574</u>	<u>P-</u>	<u>P-</u>	<u>(P2,019,465,512)</u>	<u>P31,742,159,799</u>
Number of Units	<u>38,046,082</u>	<u>3,000</u>	<u>10,000</u>	<u>7,550</u>	<u>3,146,087</u>	<u>P-</u>	<u>P-</u>		
Net Asset Value Per Unit	<u>P84.95</u>	<u>P49,718.51</u>	<u>P48,113.38</u>	<u>P49,662.81</u>	<u>P52.85</u>	<u>P-</u>	<u>P-</u>		

See accompanying Notes to Combined Financial Statements.

# INSULAR LIFE WEALTH SERIES FUNDS

## COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2018

### Peso Investment Funds

	Balanced Fund	Fixed Income Fund	Equity Fund	Growth 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	Asian Emerging Companies Fund
<b>ASSETS</b>												
Cash and cash equivalents (Note 4)	P131,801	P152,269,774	P977,698,386	P279,971,594	P-	P-	P118,141,766	P276,276,477	P86,095,291	P16,100,000	P28,145,631	P-
Financial assets at fair value through profit or loss (Note 5):												
Debt securities	-	1,921,694,925	-	-	281,332,000	136,905,000	-	-	-	-	-	280,289,102
Equity securities	-	-	10,723,711,460	4,105,765,084	-	-	3,839,856,205	-	758,882,229	800,437,109	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	-
	<u>1,775,576,640</u>	<u>2,099,539,873</u>	<u>11,722,505,630</u>	<u>4,511,852,325</u>	<u>281,332,000</u>	<u>136,905,000</u>	<u>3,959,484,665</u>	<u>283,301,443</u>	<u>845,587,761</u>	<u>843,218,622</u>	<u>210,447,901</u>	<u>280,289,102</u>
<b>LIABILITIES (Note 7):</b>												
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	-
	<u>7,006,732</u>	<u>2,935,341</u>	<u>49,049,213</u>	<u>175,154,346</u>	<u>-</u>	<u>-</u>	<u>6,441,942</u>	<u>119,426</u>	<u>1,586,195</u>	<u>925,286</u>	<u>15,240,163</u>	<u>-</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>												
	<u>P1,768,569,908</u>	<u>P2,096,604,532</u>	<u>P11,673,456,417</u>	<u>P4,336,697,979</u>	<u>P281,332,000</u>	<u>P136,905,000</u>	<u>P3,953,042,723</u>	<u>P283,182,017</u>	<u>P844,001,566</u>	<u>P842,293,336</u>	<u>P195,207,738</u>	<u>P280,289,102</u>
Number of Units	636,293,096	1,184,191,105	2,572,306,852	2,756,132,339	305,000	150,000	4,795,714,743	270,259,288	1,172,027,704	856,936,446	192,252,951	375,471
Net Asset Value Per Unit	P2.78	P1.77	P4.54	P1.57	P92240	P912.70	P0.82	P1.05	P0.72	P0.98	P1.02	P746.50

See accompanying Notes to Combined Financial Statements.

# INSULAR LIFE WEALTH SERIES FUNDS

## COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2018

Dollar Investment Funds

	Fixed Income Fund	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Euro Blue Chips Dollar Fund	Dollar Money Market Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Balanced Fund Eliminating Entries	Combined Total
<b>ASSETS</b>									
Cash and cash equivalents (Note 4)	P 305,871,251	P-	P-	P-	P140,062,026	P-	P-	P-	P 2,380,763,997
Financial assets at fair value through profit or loss (Note 5):									
Debt securities	2,624,798,306	151,383,077	479,845,080	371,651,740	-	206,996,944	90,248,313	-	6,545,144,487
Equity securities	-	-	-	-	-	-	-	-	20,407,673,357
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	151,383,077	479,845,080	371,651,740	140,281,378	206,996,944	90,248,313	(1,780,266,088)	29,592,802,958
<b>LIABILITIES (Note 7):</b>									
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
<b>NET ASSETS</b>									
ATTRIBUTABLE TO UNITHOLDERS	P 2,977,291,363	P151,383,077	P479,845,080	P 371,651,740	P140,218,003	P206,996,944	P90,248,313	(P1,773,342,251)	P29,335,874,587
Number of Units	37,353,504	3,000	10,000	7,550	2,588,156	4,000	1,750		
Net Asset Value Per Unit	P79.71	P50,461.03	P47,984.51	P49,225.40	P54.18	P51,749.24	P51,570.46		

See accompanying Notes to Combined Financial Statements.

# INSULAR LIFE WEALTH SERIES FUNDS

## COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31, 2019

Peso Investment Funds

	Balanced Fund	Fixed Income Fund	Equity Fund	Growth 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	Asian Emerging Companies Fund
<b>INCOME</b>												
Net change in unrealized gain (loss) on investment	P110,033,711	P 234,845,892	(P97,140,667)	P 193,216,874	P17,415,500	P8,940,000	P 174,543,903	P -	P 50,691,594	P166,746,093	(P49,829,229)	P 103,911,223
Realized gains (losses) on sale of investment	15,975,560	580,867	128,540,443	9,868,967	-	-	3,887,246	-	(14,586,208)	3,134,072	11,111,482	-
Interest income - deposits (Note 4)	412	4,703,921	47,967,144	15,563,193	-	-	23,938,768	16,834,381	2,981,283	582,349	1,489,351	-
Interest income - debt securities (Note 5)	-	109,942,078	-	-	-	-	-	-	-	-	-	-
Dividends (Note 6)	-	-	227,886,027	73,018,132	-	-	65,722,644	-	13,799,273	33,485,411	5,501,289	-
	126,009,683	350,072,758	307,252,947	291,667,166	17,415,500	8,940,000	268,092,561	16,834,381	52,885,942	203,947,925	(31,727,107)	103,911,223
<b>EXPENSES</b>												
Management fees (Note 8)	-	35,208,194	255,658,685	89,787,600	-	-	70,992,865	1,523,029	15,459,080	13,227,259	7,350,768	-
Administration fees (Note 8)	967,251	1,167,160	5,534,858	2,140,019	-	-	1,947,113	173,666	406,607	602,501	198,411	-
Custody fees (Note 8)	-	175,747	2,473,878	912,467	-	-	742,371	-	158,200	-	125,276	-
Government taxes, duties and other transaction costs	82	23,218,244	9,620,764	3,118,014	-	-	4,801,154	3,367,676	600,907	116,820	303,466	-
Professional fees	-	58,520	58,520	58,520	-	-	58,520	-	58,520	-	56,782	-
	967,333	59,827,865	273,346,705	96,016,620	-	-	78,542,023	5,064,371	16,683,314	13,946,580	8,034,703	-
<b>NET INCOME</b>	125,042,350	290,244,893	33,906,242	195,650,546	17,415,500	8,940,000	189,550,538	11,770,010	36,202,628	190,001,345	(39,761,810)	103,911,223
<b>OTHER COMPREHENSIVE INCOME (LOSSES)</b>												
Cumulative translation adjustment	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS RESULTING FROM OPERATIONS</b>												
	P125,042,350	P290,244,893	P 33,906,242	P195,650,546	P17,415,500	P8,940,000	P189,550,538	P 11,770,010	P36,202,628	P190,001,345	(P39,761,810)	P103,911,223

See accompanying Notes to Combined Financial Statements.

# INSULAR LIFE WEALTH SERIES FUNDS

## COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31, 2019

Dollar Investment Funds

	Fixed Income Fund	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Euro Blue Chips Dollar Fund	Dollar Money Market Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Eliminating Entries	Combined
<b>INCOME</b>									
Net change in unrealized gain (loss) on investment	P 210,556,148	P 3,372,293	P 19,038,760	P 17,050,323	P –	P 4,796,358	P 2,340,498	(P 110,033,711)	P 1,060,495,563
Realized gains (losses) on sale of investment	–	–	–	–	–	–	–	(15,975,560)	142,536,869
Interest income - deposits (Note 4)	6,493,931	–	–	–	3,079,353	–	–	–	123,634,086
Interest income - debt securities (Note 5)	135,803,773	–	–	–	–	–	–	–	245,745,851
Dividends (Note 6)	–	–	–	–	–	–	–	–	419,412,776
	<b>352,853,852</b>	<b>3,372,293</b>	<b>19,038,760</b>	<b>17,050,323</b>	<b>3,079,353</b>	<b>4,796,358</b>	<b>2,340,498</b>	<b>(126,009,271)</b>	<b>1,991,825,145</b>
<b>EXPENSES</b>									
Management fees (Note 8)	46,172,879	–	–	–	659,486	–	–	–	536,039,845
Administration fees (Note 8)	1,493,938	–	–	–	75,192	–	–	–	14,706,716
Custody fees (Note 8)	340,473	–	–	–	–	–	–	–	4,928,412
Government taxes, duties and other transaction costs	1,085,777	–	–	–	462,916	–	–	–	46,695,820
Professional fees	58,986	–	–	–	–	–	–	–	408,368
	<b>49,152,053</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,197,594</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>602,779,161</b>
<b>NET INCOME</b>	<b>303,701,799</b>	<b>3,372,293</b>	<b>19,038,760</b>	<b>17,050,323</b>	<b>1,881,759</b>	<b>4,796,358</b>	<b>2,340,498</b>	<b>(126,009,271)</b>	<b>1,389,045,984</b>
<b>OTHER COMPREHENSIVE INCOME (LOSSES)</b>									
Cumulative translation adjustment	(110,133,733)	(5,599,850)	(17,750,070)	(13,747,863)	(5,186,840)	(5,472,152)	(926,856)	–	(158,817,364)
<b>NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS RESULTING FROM OPERATIONS</b>									
	<b>P 193,568,066</b>	<b>(P 2,227,557)</b>	<b>P 1,288,690</b>	<b>P 3,302,460</b>	<b>(P 3,305,081)</b>	<b>(P 675,794)</b>	<b>P 1,413,642</b>	<b>(P 126,009,271)</b>	<b>P 1,230,228,620</b>

See accompanying Notes to Combined Financial Statements.

# INSULAR LIFE WEALTH SERIES FUNDS

## COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31, 2018

### Peso Investment Funds

	Balanced Fund	Fixed Income Fund	Equity Fund	Growth 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	Asian Emerging Companies Fund
<b>INCOME</b>												
Net change in unrealized gain (loss) on investment	(P185,435,327)	(P149,414,993)	(P 1,165,997,231)	(P765,465,278)	(P2,226,500)	(P1,065,000)	(P808,499,974)	P-	(P87,650,688)	(P50,216,508)	P3,331,963	(P1,126,413)
Realized gain (loss) on sale of investment	32,055,989	(15,321,102)	90,291,360	47,991,662	-	-	(9,860,987)	-	20,668,806	(807,447)	-	-
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	-
	(153,379,068)	(58,384,496)	(864,093,621)	(627,782,717)	(2,226,500)	(1,065,000)	(749,969,275)	10,043,469	(50,881,112)	(34,801,126)	4,030,509	(1,126,413)
<b>EXPENSES</b>												
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	-
<b>NET INCOME</b>	(154,384,946)	(113,840,103)	(1,090,082,959)	(728,307,151)	(2,226,500)	(1,065,000)	(827,238,343)	6,723,861	(69,473,658)	(42,887,764)	3,052,563	(1,126,413)
<b>OTHER COMPREHENSIVE INCOME (LOSSES)</b>												
Cumulative translation adjustment	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS RESULTING FROM OPERATIONS</b>												
	(P154,384,946)	(P113,840,103)	(P1,090,082,959)	(P728,307,151)	(P2,226,500)	(P1,065,000)	(P827,238,343)	P6,723,861	(P69,473,658)	(P42,887,764)	P3,052,563	(P1,126,413)

See accompanying Notes to Combined Financial Statements.

# INSULAR LIFE WEALTH SERIES FUNDS

## COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31, 2018

	Dollar Investment Funds									
	Fixed Income Fund	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Euro Blue Chips Dollar Fund	Dollar Money Market Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Eliminating Entries		Combined
<b>INCOME</b>										
Net change in unrealized gain (loss) on investment	(P169,092,947)	P4,703,281	P22,096,255	P6,509,664	P-	P11,752,701	P5,861,815	P185,435,327		(P3,146,499,853)
Realized gain (loss) on sale of investment	-	-	-	-	-	-	-	(32,055,989)		132,962,292
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
	(16,920,793)	4,703,281	22,096,255	6,509,664	1,976,819	11,752,701	5,861,815	153,379,338		(2,340,276,270)
<b>EXPENSES</b>										
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
<b>NET INCOME</b>	(65,086,087)	4,703,281	22,096,255	6,509,664	1,124,156	11,752,701	5,861,815	153,379,338		(2,880,515,290)
<b>OTHER COMPREHENSIVE INCOME (LOSSES)</b>										
Cumulative translation adjustment	159,449,422	325,529	1,003,298	812,510	4,799,061	444,697	192,607	-		167,027,124
<b>NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS RESULTING FROM OPERATIONS</b>										
	P94,363,335	P5,028,810	P23,099,553	P7,322,174	P5,923,217	P12,197,398	P6,054,422	P153,379,338		(P2,713,488,166)

See accompanying Notes to Combined Financial Statements.



# INSULAR LIFE WEALTH SERIES FUNDS

## COMBINED STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

### FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Year Ended December 31, 2019

	Peso Investment Funds											
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth 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	Asian Emerging Companies Fund
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2017</b>	P1,855,542,387	P2,273,898,454	P8,868,529,889	P5,257,171,138	P283,558,500	P137,970,000	P5,064,854,528	P84,667,138	P933,872,788	P422,541,408	P-	P281,415,515
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)	(2,226,500)	(1,065,000)	(827,238,343)	6,723,861	(69,473,658)	(42,887,764)	3,052,563	(1,126,413)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2018</b>	1,768,569,908	2,096,604,532	11,673,456,417	4,336,697,979	281,332,000	136,905,000	3,953,042,723	283,182,017	844,001,566	842,293,336	195,207,738	280,289,102
Contributions received from units issued	194,367,465	597,141,865	2,062,147,508	278,138,035	-	-	123,829,733	332,883,919	39,593,254	872,857,433	319,480,866	-
Redemptions during the year	(74,253,475)	(360,764,866)	(757,851,197)	(510,785,472)	-	-	(542,867,495)	(178,184,729)	(269,762,992)	(221,399,084)	(16,855,514)	(384,200,325)
	120,113,990	236,376,999	1,304,296,311	(232,647,437)	-	-	(419,037,762)	154,699,190	(230,169,738)	651,458,349	302,625,352	(384,200,325)
Net increase (decrease) in net assets attributable to unitholders resulting from operations	125,042,350	290,244,893	33,906,242	195,650,546	17,415,500	8,940,000	189,550,538	11,770,010	36,202,628	190,001,345	(39,761,810)	103,911,223
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2019</b>	P2,013,726,248	P2,623,226,424	P13,011,658,970	P4,299,701,088	P298,747,500	P145,845,000	P3,723,555,499	P449,651,217	P650,034,456	P1,683,753,030	P458,071,280	P-

See accompanying Notes to Combined Financial Statements

# INSULAR LIFE WEALTH SERIES FUNDS

## COMBINED STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

### FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Year Ended December 31, 2019									
Dollar Investment Funds									
	Fixed Income Fund	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Euro Blue Chips Dollar Fund	Dollar Money Market Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Eliminating Entries	Combined
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2017</b>									
	P2,995,932,897	P146,354,267	P456,745,527	P364,329,566	P90,170,691	P194,799,546	P84,193,891	(P1,859,309,122)	P28,037,239,008
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	5,028,810	23,099,553	7,322,174	5,923,217	12,197,398	6,054,422	153,379,338	(2,713,488,166)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2018</b>									
	2,977,291,363	151,383,077	479,845,080	371,651,740	140,218,003	206,996,944	90,248,313	(1,773,342,251)	29,335,874,587
Contributions received from units issued	282,743,251	-	-	-	81,006,934	-	-	(194,367,465)	4,989,822,798
Redemptions during the year	(221,460,145)	-	-	-	(51,651,282)	(206,321,150)	(91,661,955)	74,253,475	(3,813,766,206)
	61,283,106	-	-	-	29,355,652	(206,321,150)	(91,661,955)	(120,113,990)	1,176,056,592
Net increase (decrease) in net assets attributable to unitholders resulting from operations	193,568,066	(2,227,557)	1,288,690	3,302,460	(3,305,081)	(675,794)	1,413,642	(126,009,271)	1,230,228,620
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2019</b>									
	P3,232,142,535	P149,155,520	P481,133,770	P374,954,200	P166,268,574	P -	P -	(P2,019,465,512)	P31,742,159,799

See accompanying Notes to Combined Financial Statements

# INSULAR LIFE WEALTH SERIES FUNDS

## COMBINED STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

### FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Year Ended December 31, 2018

	Peso Investment Funds											
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth 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	Asian Emerging Companies Fund
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2016</b>	P1,429,920,280	P1,616,100,923	P6,263,821,685	P4,780,420,609	P272,426,000	P132,885,000	P4,388,235,911	P111,349,242	P991,742,931	P -	P -	P261,928,570
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)	-	-
Net increase (decrease) in net assets attributable to unitholders resulting from operations	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	-	-
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2017</b>	1,855,542,387	2,273,898,454	8,868,529,889	5,257,171,138	283,558,500	137,970,000	5,064,854,528	184,667,138	933,872,788	422,541,408	-	281,415,515
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)	-	-
Net increase (decrease) in net assets attributable to unitholders resulting from operations	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	-
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2018</b>	P1,768,569,908	P2,096,604,532	P11,673,456,417	P4,336,697,979	P281,332,000	P136,905,000	P3,953,042,723	P283,182,017	P844,001,566	P842,293,336	P195,207,738	P280,289,102

See accompanying Notes to Combined Financial Statements.

# INSULAR LIFE WEALTH SERIES FUNDS

## COMBINED STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

### FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Year Ended December 31, 2018

Dollar Investment Funds

	Fixed Income Fund	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Euro Blue Chips Dollar Fund	Dollar Money Market Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Eliminating Entries	Combined
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2016</b>	P2,959,681,298	P139,964,567	P431,380,580	P349,348,282	P57,328,005	P191,202,219	P82,814,113	(P1,432,781,642)	P23,027,768,573
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
<b>Net increase (decrease) in net assets attributable to unitholders resulting from operations</b>	123,114,258	6,389,700	25,364,947	14,981,284	872,058	3,597,327	1,379,778	(99,297,590)	2,880,392,131
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2017</b>	2,995,932,897	146,354,267	456,745,527	364,329,566	90,170,691	194,799,546	84,193,891	(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
<b>Net increase (decrease) in net assets attributable to unitholders resulting from operations</b>	94,363,335	5,028,810	23,099,553	7,322,174	5,923,217	12,197,398	6,054,422	153,379,338	(2,713,488,166)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2018</b>	P2,977,291,363	P151,383,077	P479,845,080	P371,651,740	P140,218,003	P206,996,944	P90,248,313	(P1,773,342,251)	P29,335,874,587

See accompanying Notes to Combined Financial Statements.

# INSULAR LIFE WEALTH SERIES FUNDS

## COMBINED STATEMENTS OF CASH FLOWS

### FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Year Ended December 31, 2019

	Peso Investment Fund											
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth 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	Asian Emerging Companies Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>												
Net income	P125,042,350	P290,244,893	P33,906,242	P195,650,546	P17,415,500	P8,940,000	P189,550,538	P11,770,010	P36,202,628	P190,001,345	(P39,761,810)	P103,911,223
Changes in operating assets and liabilities:												
Net decrease (increase):					-	-						-
Financial assets at fair value through profit or loss	(126,009,271)	(235,426,759)	(31,399,776)	(203,085,841)	(17,415,500)	(8,940,000)	(178,431,149)	-	(36,105,386)	(169,880,165)	38,717,747	(103,911,223)
Subscription receivable	1,389,087	(23,461,328)	(12,735,517)	(697,351)	-	-	(149,775)	5,994,953	93,915	14,109,545	3,242,546	-
Investment income receivable	-	(1,713,503)	(4,607,794)	(2,160,555)	-	-	(1,420,752)	(148,841)	(703,982)	(1,228)	(772,787)	-
Other receivable	-	(411,918)	(370,832)	121,271,225	-	-	-	-	(1,878,668)	2,131,610	6,215	-
Net decrease (increase) in Investments	(120,113,990)	(142,291,259)	(1,328,696,586)	360,043,142	-	-	357,304,852	-	196,585,555	(682,000,000)	(300,759,638)	384,200,325
Net increase (decrease) in Accounts payable, accrued and other liabilities	(421,836)	856,093	(314,792)	(161,960,696)	-	-	61,134	875,198	1,533,485	826,773	(13,464,806)	-
Net cash from operating activities	(120,113,660)	(112,203,781)	(1,344,219,055)	309,060,470	-	-	366,914,848	18,491,320	195,727,547	(644,812,120)	(312,792,533)	384,200,325
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>												
Net contributions to (redemptions from) the funds	120,113,990	236,376,999	1,304,296,311	(232,647,437)	-	-	(419,037,762)	154,699,190	(230,169,738)	651,458,349	302,625,352	(384,200,325)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>												
	330	124,173,218	(39,922,744)	76,413,033	-	-	(52,122,914)	173,190,510	(34,442,191)	6,646,229	(10,167,181)	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	131,801	152,269,774	977,698,386	279,971,594	-	-	118,141,766	276,276,477	86,095,292	16,100,000	28,145,631	-
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	P132,131	P276,442,992	P937,775,642	P356,384,627	P-	P-	P66,018,852	P449,466,987	P51,653,101	P22,746,229	P17,978,450	P-

See accompanying Notes to Combined Financial Statements.

# INSULAR LIFE WEALTH SERIES FUNDS

## COMBINED STATEMENTS OF CASH FLOWS

### FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Year Ended December 31, 2019										
Dollar Investment Funds										
	Fixed Income Fund	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Euro Blue Chips Dollar Fund	Dollar Money Market Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Balanced Fund Eliminating Entries	Combined	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Net income	P303,701,799	P3,372,293	P19,038,760	P17,050,323	1,881,759	P4,796,358	P2,340,498	(P126,009,271)	P1,389,045,984	
Changes in operating assets and liabilities:										
Net decrease (increase):										
Financial assets at fair value through profit or loss	(224,824,876)	(3,372,293)	(19,038,760)	(17,050,323)	(5,186,840)	(4,796,358)	(2,340,498)	126,009,271	(1,222,488,000)	
Subscription receivable	(469,251)	-	-	-	-	-	-	(1,389,088)	(14,072,264)	
Investment income receivable	2,279,661	-	-	-	(158,232)	-	-	-	(9,408,013)	
Other receivable	785	-	-	-	-	-	-	-	120,748,417	
Net decrease (increase) in Investments	15,983,341	-	-	-	-	206,321,150	91,661,955	120,113,990	(841,647,163)	
Net increase (decrease) in Accounts payable, accrued and other liabilities	(521,843)	-	-	-	22,937	-	-	1,389,088	(171,119,265)	
Net cash from operating activities	96,149,616	-	-	-	(3,440,376)	206,321,150	91,661,955	120,113,990	(748,940,304)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
Net contributions to (redemptions from) the funds	61,283,106	-	-	-	29,355,652	(206,321,150)	(91,661,955)	(120,113,990)	1,176,056,592	
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>										
	157,432,722	-	-	-	25,915,276	-	-	-	427,116,288	
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>										
	305,871,251	-	-	-	140,062,026	-	-	-	2,380,763,998	
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>										
	P463,303,973	P-	P-	P-	P165,977,302	P-	P-	P-	P2,807,880,286	

See accompanying Notes to Combined Financial Statements.

# INSULAR LIFE WEALTH SERIES FUNDS

## COMBINED STATEMENTS OF CASH FLOWS

### FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Year Ended December 31, 2018

	Peso Investment Fund											
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth 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	Asian Emerging Companies Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>												
Net income	(P154,384,946)	(P113,840,103)	(P1,090,082,959)	(P728,307,151)	(P2,226,500)	(P1,065,000)	(P827,238,343)	P6,723,861	(P69,473,658)	(P42,887,764)	P3,052,563	(P1,126,413)
Changes in operating assets and liabilities:												
Net decrease (increase):												
Financial assets at fair value through profit or loss	153,379,338	164,736,095	1,075,705,871	717,473,616	2,226,500	1,065,000	818,360,961	-	66,981,882	51,023,955	(3,331,963)	1,126,413
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 decrease (increase):												
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 (decrease) increase:												
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)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>												
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	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>												
	(484)	(134,162,871)	(72,855,705)	(279,311,383)	-	-	(18,613,021)	91,888,494	(128,097,163)	968,578	28,145,631	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>												
	132,285	286,432,645	1,050,554,091	559,282,977	-	-	136,754,787	184,387,983	214,192,454	15,131,422	-	-
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>												
	P131,801	P152,269,774	P977,698,386	P279,971,594	P-	P-	P118,141,766	P276,276,477	P86,095,291	P16,100,000	P28,145,631	P-

See accompanying Notes to Combined Financial Statements.

# INSULAR LIFE WEALTH SERIES FUNDS

## COMBINED STATEMENTS OF CASH FLOWS

### FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Year Ended December 31, 2018									
Dollar Investment Funds									
	Fixed Income Fund	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Euro Blue Chips Dollar Fund	Dollar Money Market Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Balanced Fund Eliminating Entries	Combined
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Net income	(P65,086,087)	P4,703,281	P22,096,255	P6,509,664	P1,124,156	P11,752,701	P5,861,815	P153,379,338	(P2,880,515,290)
Changes in operating assets and liabilities:									
Net decrease (increase):									
Financial assets at fair value through profit or loss	187,359,998	(4,703,281)	(22,096,255)	(6,509,664)	4,799,061	(11,752,701)	(5,861,815)	(153,379,338)	3,036,603,673
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 decrease (increase):									
Investments	-	-	-	-	-	-	-	67,412,466	(4,461,380,060)
Net (decrease) increase:									
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	(4,468,101,910)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Net contributions to (redemptions from) the funds	(113,004,869)	-	-	-	44,124,095	-	-	(67,412,466)	4,012,123,746
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>									
	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)	P305,871,251	P-	P-	P-	P140,062,026	P-	P-	P-	P2,380,763,997

See accompanying Notes to Combined Financial Statements.



# INSULAR LIFE WEALTH SERIES FUNDS

## 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 fund 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

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

in a 7-year, Peso-linked, Dollarstructured 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. This fund has matured on September 27, 2019.

### ***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 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 wellcapitalized 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 are all 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

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

Philippine government and prime corporations.

### ***China Prime Fund - Tranche 1***

This fund 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”). This fund matured on July 10, 2019.

### ***China Prime Fund - Tranche 2***

This fund was offered for a limited period in July 2012. The objective of this fund is to deliver competitive returns on Dollar-denominated variable life insurance by investing in a structured note linked to the select stock companies in China. This fund is fully invested in a 7-year, Dollar-structured note issued by Citigroup Funding Inc. in July 2012. The structured note, which is guaranteed by Citigroup, Inc., provides principal protection at maturity and an upside potential determined through a participation in the performance of the equity markets in China as represented by the Tracker Fund of HSCEI. This fund matured on August 6, 2019.

### ***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). This fund matured on March 4, 2020.

### ***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 are comprised mainly of cash and near-cash investments.

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

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 combined 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 combined financial statements were authorized for issue by the President and Chief Executive Officer of the Company on April 23, 2020.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

### Statement of Compliance

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

### Basis of Financial Statement Preparation

The combined 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 combined financial statements are presented in Philippine Peso, which is the Separate Funds’ functional currency.

The combined financial statements include the financial statements of the 19 Separate Wealth Series Funds comprised of Peso Investment Funds and Dollar Investment Funds as of and for the years ended December 31, 2019 and 2018. The Peso Investment Funds consist of 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. Dollar Investment Funds consist of 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. 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, 2019. The adoption of these amendments did not have any significant impact on the combined financial statements unless otherwise indicated.

- PFRS 16, Leases
- Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments
- Amendments to PFRS 9, Prepayment Features with Negative Compensation
- Amendments to PAS 19, Employee Benefits, Plan Amendment, Curtailment or Settlement
- Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

- 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

### **Future Changes in Accounting Policies**

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, Insurance Contracts
- 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 combined 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

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

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 combined 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**

#### ***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 to 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, 2019 and 2018, the Separate Funds have no financial assets classified as financial assets at fair value through other comprehensive income (FVOCI).

#### ***Financial assets at FVTPL***

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

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

Financial assets at FVTPL are recorded in the statement of financial position at fair value, with changes in the fair value included under the 'Net change in unrealized gains (losses) on investment' 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, 2019 and 2018, the Separate Funds classified their investment in equity securities, debt securities, fixed income fund and equity fund as financial assets at FVTPL.

### ***Financial assets 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' and '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 'Accounts payable' and 'Accrued and other liabilities', 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.

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

### ***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 cash 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 asset 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.



# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

### ***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)* 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.

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

### Foreign Currency Translation Transactions and balances

The combined financial statements are presented in Philippine pesos, the Separate Funds' functional and presentation currency and all values represent absolute amounts except when otherwise indicated.

Items included in the combined financial statements of the Separate Funds are measured using their functional currency. Functional currency is the currency of the primary economic environment in which the Separate Funds operate. The Separate Funds use the Philippine pesos as their functional currency, except for the dollar investment funds. Foreign exchange differences arising from the revaluation of the foreign currency-denominated monetary assets and liabilities of the dollar investment funds to the Separate Funds' presentation currency are taken to the Statement of Comprehensive Income as "Cumulative Translation Adjustment" under the "Net Assets Attributable to Unitholders" account.

### 3. SIGNIFICANT JUDGMENT AND ESTIMATES

As of December 31, 2019 and 2018, the preparation of the combined 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 combined 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, 2019 and 2018, management assessed that there is no significant accounting judgement exercised in respect to the preparation of the Separate Funds' combined 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 are as follows:

### 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 combined 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.

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.

As of December 31, 2019 and 2018, the carrying value of the investments in structured notes under financial assets at FVTPL amounted to Php 1,449,835,990 and Php 1,998,651,256, respectively (see Note 9).

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

### 4. CASH AND CASH EQUIVALENTS

2019									
Peso 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
Cash in banks	P132,131	P559,346	P4,257,151	P1,124,667	P4,827,431	P285,634	P520,171	P346,229	P278,450
Cash equivalents	-	275,883,646	933,518,491	355,259,960	61,191,421	449,181,353	51,132,930	22,400,000	17,700,000
	P132,131	P276,442,992	P937,775,642	P356,384,627	P66,018,852	P449,466,987	P51,653,101	P22,746,229	P17,978,450

2019			
Dollar Investment Funds			
	Fixed Income Fund	Dollar Money Market Fund	Combined
Cash in banks	P711,181	P72,819	P13,115,210
Cash equivalents	462,592,792	165,904,483	2,794,765,076
	P463,303,973	P165,977,302	P2,807,880,286

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

2018

2018									
Peso 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
Cash in banks	P131,801	P168,230	P806,905	P784,162	P1,258,292	P160,496	P476,716	P-	P370,040
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
	P131,801	P152,269,774	P977,698,386	P279,971,594	P118,141,766	P276,276,477	P86,095,291	P16,100,000	P28,145,631

2018

2018			
Dollar Investment Funds			
	Fixed Income Fund	Dollar Money Market Fund	Combined
Cash in banks	P224,878	P287,406	P4,668,926
Cash equivalents	305,646,373	139,774,620	2,376,095,071
	P305,871,251	P140,062,026	P2,380,763,997

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 123,634,086 and Php 83,617,171 in 2019 and 2018, respectively.

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

#### INVESTMENTS IN DEBT SECURITIES

2019				
Peso Investment Funds				
	Fixed Income Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Asian Emerging Companies Fund
Acquisition cost	P2,300,166,461	P305,000,000	P150,000,000	P375,471,000
Accumulated fair value gains (losses)	(753,517)	(6,252,500)	(4,155,000)	(375,471,000)
Fair value	P2,299,412,944	P298,747,500	P145,845,000	P-

2019								
Dollar Investment Funds								
	Fixed Income Fund	Asia Dynamic Equity Fund	Asia Emerging Companies Fund	Euro Blue Chips Dollar Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Combined	
Acquisition cost	P2,751,881,235	P133,242,000	P444,140,000	P328,123,000	P177,656,000	P77,724,500	P7,043,404,196	
Accumulated fair value gains (losses)	(28,375,128)	15,913,520	36,993,770	46,831,200	(177,656,000)	(77,724,500)	(570,649,155)	
Fair value	P2,723,506,107	P149,155,520	P481,133,770	P374,954,200	P-	P-	P6,472,755,041	

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

2018

	Peso Investment Funds			
	Fixed Income Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Asian Emerging Companies Fund
Acquisition cost	P2,076,649,767	P305,000,000	P150,000,000	P375,471,000
Accumulated fair value gains (losses)	(154,954,842)	(23,668,000)	(13,095,000)	(95,181,898)
Fair value	P1,921,694,925	P281,332,000	P136,905,000	P280,289,102

2018

### Dollar Investment Funds

	Fixed Income Fund	Asia Dynamic Equity Fund	Asia Emerging Companies Fund	Euro Blue Chips Dollar Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Combined
Acquisition cost	P2,907,858,060	P133,242,000	P444,140,000	P328,123,000	P177,656,000	P77,724,500	P6,975,864,327
Accumulated fair value gains (losses)	(283,059,754)	18,141,077	35,705,080	43,528,740	29,340,944	12,523,813	(430,719,840)
Fair value	P2,624,798,306	P151,383,077	P479,845,080	P371,651,740	P206,996,944	P90,248,313	P6,545,144,487

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:

2019			
Peso Investment Funds			
	Fixed Income Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2
Due within one year	P230,288,380	P –	P –
Due after one year through five years	1,047,055,415	298,747,500	145,845,000
Due beyond five years	1,022,069,149	–	–
	P2,299,412,944	P298,747,500	P145,845,000

2019						
Dollar Investment Funds						
	Fixed Income Fund	Asia Dynamic Equity Fund	Asia Emerging Companies Fund	Euro Blue Chips Dollar Fund	Combined	
Due within one year	P116,968,065	P149,155,520	P –	P –	P496,411,965	
Due after one year through five years	393,692,037	–	481,133,770	374,954,200	2,741,427,922	
Due beyond five years	2,212,846,005	–	–	–	3,234,915,154	
	P2,723,506,107	P149,155,520	P481,133,770	P374,954,200	P6,472,755,041	

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

2018

	Peso Investment Funds			
	Fixed Income Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Asian Emerging Companies Fund
Due within one year	P40,131,911	P-	P-	P280,289,102
Due after one year through five years	1,092,824,708	281,332,000	136,905,000	
Due beyond five years	788,738,306	-	-	-
	<b>P1,921,694,925</b>	<b>P281,332,000</b>	<b>P136,905,000</b>	<b>P280,289,102</b>

2018

### Dollar Investment Funds

	Fixed Income Fund	Asia Dynamic Equity Fund	Asia Emerging Companies Fund	Euro Blue Chips Dollar Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Combined
Due within one year	P139,253,240	P-	P-	P-	P206,996,944	P90,248,313	P756,919,510
Due after one year through five years	234,281,968	151,383,077	479,845,080	371,651,740	-	-	2,748,223,573
Due beyond five years	2,251,263,098	-	-	-	-	-	3,040,001,404
	<b>P2,624,798,306</b>	<b>P151,383,077</b>	<b>P479,845,080</b>	<b>P371,651,740</b>	<b>P206,996,944</b>	<b>P90,248,313</b>	<b>P6,545,144,487</b>

Interest income from investment in debt securities totaled Php 245,745,851 and Php 247,467,221 in 2019 and 2018, respectively.



# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

### INVESTMENTS IN EQUITY SECURITIES

2019							
	Peso Investment Funds				Dollar Investment Funds		
	Equity Fund	Growth Fund	Select Equities Fund	Select Equities Fund 2	Peso Global Equity Fund	ONE Fund	Combined
Acquisition cost	P11,837,861,877	P3,627,850,832	P3,849,761,144	P653,964,246	P1,535,226,624	P487,560,429	P21,992,225,152
Accumulated fair value gains (losses)	245,945,946	320,956,951	(188,778,640)	(55,562,187)	117,090,649	(46,497,269)	393,155,450
Fair value	P12,083,807,823	P3,948,807,783	P3,660,982,504	P598,402,059	P1,652,317,273	P441,063,160	P22,385,380,602

2018							
	Peso Investment Funds				Dollar Investment Funds		
	Equity Fund	Growth Fund	Select Equities Fund	Select Equities Fund 2	Peso Global Equity Fund	ONE Fund	Combined
Acquisition cost	P10,380,624,848	P3,978,025,006	P4,203,178,747	P865,136,011	P850,092,553	P175,689,307	P20,452,746,472
Accumulated fair value gains (losses)	343,086,612	127,740,078	(363,322,542)	(106,253,782)	(49,655,444)	3,331,963	(45,073,115)
Fair value	P10,723,711,460	P4,105,765,084	P3,839,856,205	P758,882,229	P800,437,109	P179,021,270	P20,407,673,357

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

### 6. RECEIVABLES

2019									
Peso 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
Investment income receivables:									
Accrued interest	P-	P23,042,890	P1,959,041	P1,232,735	P128,026	P1,178,854	P103,884	P3,783	P2,989
Accrued dividends	-	-	8,743,937	2,594,276	1,718,432	-	1,116,424	-	802,037
Total investment income receivables	-	23,042,890	10,702,978	3,827,011	1,846,458	1,178,854	1,220,308	3,783	805,026
Subscriptions receivable	712,502	25,262,136	25,275,120	3,871,472	1,210,763	-	-	10,432,303	-
Other receivables	1,000	2,856,897	2,831,829	3,845	-	-	1,878,668	5,500	-
	P713,502	P51,161,923	P38,809,927	P7,702,328	P3,057,221	P1,178,854	P3,098,976	P10,441,586	P805,026

2019					
Dollar Investment Funds					
	Fixed Income Fund	Dollar Money Market Fund	Balanced Fund Eliminating Entries	Combined	
Investment income receivables:					
Accrued interest	P49,670,283	P377,584	P-	P77,700,069	
Accrued dividends	-	-	-	14,975,106	
Total investment income receivables	49,670,283	377,584	-	92,675,175	
Subscriptions receivable	469,251	-	(712,502)	66,521,045	
Other receivables	1,266	-	(5,624,558)	1,954,447	
	P50,140,800	P377,584	(P6,337,060)	P161,150,667	

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

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	Balanced Fund Eliminating Entries	Combined
Investment income receivables:													
Accrued interest	P-	P21,329,387	P3,398,924	P724,698	P425,706	P1,030,013	P183,232	P2,555	P14,939	P51,949,944	P219,352	P-	P79,278,750
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
	P2,102,589	P24,524,380	P20,044,990	P126,115,647	P1,486,694	P7,024,966	P610,241	P26,681,513	P3,281,000	P51,951,995	P219,352	(P4,822,250)	P259,221,117

- Accrued interest receivable pertains to interest earned on investments in debt securities and short-term investments but not yet received by the Separate Funds as of reporting date. Interest rates for such investments range from 1.900% to 10.625% in 2019 and from 1.500% to 10.625% in 2018.
- Accrued dividend receivables are noninterest-bearing and pertain to dividends earned on investment in equity securities but not yet received by the Separate Funds.
- Dividends from investment in equity securities totaled Php 419,412,776 and Php 342,176,899 in 2019 and 2018, respectively.
- 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.

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

### 7. ACCOUNTS PAYABLE AND ACCRUED AND OTHER LIABILITIES

December 31, 2019									
Peso 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
Accounts payable -									
Due to broker	P712,502	P-	P23,968,999	P4,934,790	P-	P-	P1,648,565	P-	P-
Redemptions payable	-	-	-	-	-	781,567	168,376	-	823,741
Due to related party	1,717,799	-	-	-	-	-	-	-	-
	2,430,301	-	23,968,999	4,934,790	-	781,567	1,816,941	-	823,741
Accrued and other liabilities:									
Management fees payable (Note 8)	-	3,399,393	22,655,583	7,481,674	5,780,281	162,657	1,122,631	1,559,321	802,368
Administration fees payable (Note 8)	4,154,596	305,250	1,341,651	499,649	455,727	50,400	81,577	192,737	57,623
Custody fees payable (Note 8)	-	27,537	606,109	199,675	188,886	-	29,966	-	22,099
Professional fees payable	-	56,286	56,286	56,286	56,284	-	56,286	-	56,286
Transaction fees payable	-	-	65,272	9,400	-	-	4,800	-	7,100
Taxes and other payables	-	2,969	40,522	12,176	21,900	-	7,479	-	6,139
	4,154,596	3,791,435	24,765,423	8,258,860	6,503,078	213,057	1,302,739	1,752,058	951,615
	P6,584,897	P3,791,435	P48,734,422	P13,193,650	P6,503,078	P994,624	P3,119,680	P1,752,058	P1,775,356

December 31, 2019				
Dollar Investment Fund				
	Fixed Income Fund	Dollar Money Market Fund	Balanced Fund Eliminating Entries	Combined
Accounts payable -				
Due to broker	P-	P-	(P712,502)	P30,552,354
Redemptions payable	-	-	-	1,773,684
Due to related party	-	632	(1,717,799)	632
	-	632	(2,430,301)	32,326,670
Accrued and other liabilities:				
Management fees payable (Note 8)	4,248,053	64,845	-	47,276,806
Administration fees payable (Note 8)	383,515	20,835	(3,906,759)	3,636,801
Custody fees payable (Note 8)	120,431	-	-	1,194,703
Professional fees payable	56,286	-	-	394,000
Transaction fees payable	-	-	-	86,572
Taxes and other payables	60	-	-	91,245
	4,808,345	85,680	(3,906,759)	52,680,127
	P4,808,345	P86,312	(P6,337,060)	P85,006,797

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Peso 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
<b>Accounts payable</b>									
Due to broker	P2,101,588	P-	P26,353,116	P-	P-	P-	P-	P-	P14,884,333
Redemptions payable	-	-	1,411,998	166,950,214	-	-	-	-	-
Due to related party	1,717,796	1,309	1,309	-	-	-	-	-	-
	3,819,384	1,309	27,766,423	166,950,214	-	-	-	-	14,884,333
<b>Accrued and other liabilities:</b>									
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
Administration fees payable (Note 8)	3,187,348	100,214	559,753	213,857	191,874	13,112	40,320	41,380	8,677
Custody fees payable (Note 8)	-	36,044	207,291	85,133	78,474	-	14,237	-	3,276
Professional fees payable	-	61,071	61,070	61,071	61,072	-	61,070	-	13,571
Transaction fees payable	-	-	39,271	5,800	100	-	600	-	2,300
Taxes and other payables	-	3,601	60,747	61,660	5,345	227	3,776	56,311	12,482
	3,187,348	2,934,032	21,282,790	8,204,132	6,441,942	119,426	1,586,195	925,286	355,830
	P7,006,732	P2,935,341	P49,049,213	P175,154,346	P6,441,942	P119,426	P1,586,195	P925,286	P15,240,163

December 31, 2018

Dollar Investment Fund				
	Fixed Income Fund	Dollar Money Market Fund	Balanced Fund Eliminating Entries	Combined
<b>Accounts payable</b>				
Due to broker	P-	P-	(P2,101,588)	P41,237,449
Redemptions payable	1,108,926	-	-	169,471,138
Due to related party	-	1,819	(1,717,796)	4,437
	1,108,926	1,819	(3,819,384)	210,713,024
<b>Accrued and other liabilities:</b>				
Management fees payable (Note 8)	3,906,254	54,685	-	43,645,785
Administration fees payable (Note 8)	143,229	6,761	(3,104,453)	1,402,072
Custody fees payable (Note 8)	106,603	-	-	531,058
Professional fees payable	61,072	-	-	379,997
Transaction fees payable	-	-	-	48,071
Taxes and other payables	4,105	110	-	208,364
	4,221,263	61,556	(3,104,453)	46,215,347
	P5,330,189	P63,375	(P6,923,837)	P256,928,371

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

### 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 536,039,845 and Php 481,735,897 in 2019 and 2018, respectively. Investment management fees payable as of December 31, 2019 and 2018 amounted to Php 47,276,806 and Php 43,645,785, 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 5.00 basis points per annum for the period of January 2019 to February 2019 and from 3.75 to 5.00 basis points in a progressive tiering per fund according to new tariff effective March 1, 2019 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 2019 and 2018.

Administration fees expense amounted to Php 14,706,716 and Php 15,665,919 in 2019 and 2018, respectively. Administration fees payable as of December 31, 2019 and 2018 amounted to Php 3,636,801 and Php 1,402,072, 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 for the period of January 2019 to February 2019 and from 0.5 to 2.0 basis points according to new tariff effective March 1, 2019 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 2019 and 2018.

Custody fees expense amounted to Php 4,928,412 and Php 5,142,531 in 2019 and 2018, respectively.

Outstanding balances of custody fees payable amounted to Php 1,194,703 and Php 531,058 as of December 31, 2019 and 2018, respectively (see Note 7).

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

### 9. FINANCIAL INSTRUMENTS

	2019					
	Peso Investment Funds		Dollar Investment Funds			Total
	Fair Value through profit or loss	Amortized cost	Fair Value through profit or loss	Amortized cost		
Financial assets at FVPL						
Traditional VULs:						
Cash and cash equivalents	P –	P2,178,599,011	P –	P629,281,275		P2,807,880,286
Equity securities - quoted	20,733,063,329	–	–	–		20,733,063,329
Debt securities with fixed rates - quoted	2,299,412,944	–	2,723,506,107	–		5,022,919,051
Subscriptions receivable	–	66,051,794	–	469,251		66,521,045
Investment income receivable	–	42,627,308	–	50,047,867		92,675,175
Other receivables	–	1,953,181	–	1,266		1,954,447
Structured VULs	444,592,500	–	1,005,243,490	–		1,449,835,990
Investment in UITF	1,652,317,273	–	–	–		1,652,317,273
	<b>P25,129,386,046</b>	<b>P2,289,231,294</b>	<b>P3,728,749,597</b>	<b>P679,799,659</b>		<b>P31,827,166,596</b>

	2019				
	Peso Investment Funds		Dollar Investment Funds		Total
		Other financial liabilities		Other financial liabilities	
Financial liabilities at amortized cost					
Accounts payable		P32,326,038		P632	P32,326,670
Accrued and other liabilities*		47,694,917		4,893,965	52,588,882
		<b>P80,020,955</b>		<b>P4,894,597</b>	<b>P84,915,552</b>

\*Excluding taxes payable amounting P91,245

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

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

	2018				
	Peso Investment Funds		Dollar Investment Funds		
	Fair Value through profit or loss	Amortized cost	Fair Value through profit or loss	Amortized cost	Total
<b>Financial assets at FVPL</b>					
Traditional VULs:					
Cash and cash equivalents	P-	P1,934,830,720	P-	P445,933,277	P2,380,763,997
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
	<b>P23,027,894,384</b>	<b>P2,141,880,490</b>	<b>P3,924,923,460</b>	<b>P498,104,624</b>	<b>P29,592,802,958</b>

	2018		
	Peso Investment Funds	Dollar Investment Funds	
	Other financial liabilities	Other financial liabilities	Total
<b>Financial liabilities at amortized cost</b>			
Accounts payable	P209,602,279	P1,110,745	P210,713,024
Accrued and other liabilities*	41,728,379	4,278,604	46,006,983
	<b>P251,330,658</b>	<b>P5,389,349</b>	<b>P256,720,007</b>

\*Excluding taxes payable amounting P208,364



# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

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

	2019			
	Level 1	Level 2	Level 3	Total
Equity securities	P20,733,063,329	P-	P-	P20,733,063,329
Debt securities:				
Traditional VULs:				
Local currency	2,299,412,944		-	2,299,412,944
Foreign currency	2,723,506,107		-	2,723,506,107
Structured VULs:				
Local currency	-	-	444,592,500	444,592,500
Foreign currency	-	-	1,005,243,490	1,005,243,490
Investment in UITF	-	1,652,317,273	-	1,652,317,273
	P25,755,982,380	P1,652,317,273	P1,449,835,990	P28,858,135,643
	2018			
	Level 1	Level 2	Level 3	Total
Equity securities	P19,607,236,248	P-	P-	P19,607,236,248
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
	P24,153,729,479	P800,437,109	P1,998,651,256	P26,952,817,844

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

For all other financial assets and liabilities, the carrying values are approximation of their respective fair values 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 Net Asset Value Per Unit (NAVPU) of the underlying UITF.

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

	2019	2018
<b>Peso</b>		
Beginning balance	P698,526,102	P702,944,015
Maturities	(384,200,325)	-
Fair value gain (loss)	130,266,723	(4,417,913)
Ending balance	444,592,500	698,526,102
<b>USD</b>		
Beginning balance	1,300,125,154	1,246,422,797
Maturities	(297,983,105)	-
Fair value gain	46,598,231	50,923,716
Foreign exchange adjustments	(43,496,790)	2,778,641
Ending balance	1,005,243,490	1,300,125,154
<b>Total Level 3 financial assets</b>	<b>P1,449,835,990</b>	<b>P1,998,651,256</b>

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

There were no transfers within different levels of the fair value hierarchy in 2019 and 2018.

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, including both peso and dollar 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		Significant observable input other than quoted prices within Level 1	Range of input	Sensitivity of the input to fair value
2019	ROP CDS level (3yrs-8yrs)	34 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 P7,316,467 and P7,429,115, respectively.	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 P11,704,273 and P11,923,512, respectively.
	USD IRS (3yrs-8yrs)	171-178 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 P7,316,467 and P7,429,115, 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 P12,459,183 and P12,684,129, respectively.
	PHP IRS (1yr-6yrs)	34-5350 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 P2,608,528 and P2,638,252, 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 P5,532,261 and P5,608,461, respectively.

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

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
2019	Bank CDS level (1-7 years)	30- 37 basis points	A 50 basis points increase (decrease) in CDS would result in the decrease and increase in fair value of the note by <b>P2,608,528 and P2,638,252, respectively.</b>
2018	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 P5,532,261 and P5,608,461, 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.*

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

### Dollar denominated notes

	Significant unobservable input	Range of input	Sensitivity of the input to fair value
2019	ROP CDS level (3-8 years)	18-41 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 <b>P7,316,467</b> and <b>P7,429,115</b> , respectively.
2018	ROP 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 <b>P12,459,183</b> and <b>P12,684,129</b> , 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.

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

### 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 focuses 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 are 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.

#### ***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, 2019 and 2018, 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.

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

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, 2019 and 2018, 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, 2019 and 2018, 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 FVTPL. 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 6,472,755,041 and Php 6,545,144,487 as of December 31, 2019 and 2018, 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	2019		2018	
	Peso Fixed Income Fund	Dollar Fixed Income Fund	Peso Fixed Income Fund	Dollar Fixed Income Fund
PRSAaa	8%	3%	7%	4%
BBB/Baa2	92%	97%	93%	96%
	100%	100%	100%	100%

### **Excessive risk concentration**

Concentration of risk indicates the relative sensitivity of the Separate Funds' performance to developments affecting a particular industry or geographical location. Concentration 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.

Concentration 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. Concentration 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.

### **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.

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

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

	2019	2018
Government	66%	66%
Financial institutions	31%	31%
Electricity, energy, power, and water	2%	1%
Others	1%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### Equity price risk

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

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

The Separate Funds are exposed to equity price risk because of equity investments held under Equity Fund, Growth Fund, Select Equities Fund, and Select Equities Fund 2, Peso Global Equity Fund, 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 22,385,380,602 and Php 20,407,673,357 as of December 31, 2019 and 2018, respectively.

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

2019		2018	
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
Increase by 5%	P874,461,704	Increase by 5%	P838,908,537
Decrease by 5%	(874,461,704)	Decrease by 5%	(838,908,537)

### 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:

	2019	2018
Holding Firms	24%	24%
Banks	21%	18%
Property	18%	15%
Food, beverage, and tobacco	10%	12%
Retail	8%	8%
Electricity, energy, power, and water	7%	9%
Transportation Services	4%	-
Telecommunications	3%	3%
Mining	2%	2%
Others	3%	9%
<b>Total</b>	<b>100%</b>	<b>100%</b>



# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

### **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, 2019 and 2018, the Separate Funds' other financial liabilities excluding taxes payable amounting to Php 84,915,552 and Php 256,720,007 respectively, have maturities of less than one year. The Separate Funds have cash and cash equivalents amounting to Php 2,807,880,286 and Php 2,380,763,997 as of December 31, 2019 and 2018, 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.

### **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 with fixed interest rates 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 6,472,755,041 and Php 7,345,581,596 as of December 31, 2019 and 2018, respectively, and represents the maximum exposure to fair value interest rate risk.

The following table provide the sensitivity analysis of the fair value of financial assets and its impact to profit or loss due to changes in interest rates as of December 31:

2019		2018	
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	(P73,634,044)	25 basis points rise	(P68,825,230)
25 basis points fall	75,632,859	25 basis points fall	67,184,062

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

### 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:

	2019		2018	
	United States Dollar Value	Peso Equivalent	United States Dollar Value	Peso Equivalent
<b>Assets</b>				
<b>Traditional VULs:</b>				
Cash and cash equivalents	US\$12,427,793	P629,281,275	US\$8,481,044	P445,933,277
Debt securities	53,787,027	2,723,506,107	49,920,090	2,624,798,306
Investment income receivable	988,405	50,047,867	992,189	52,169,296
Subscription receivable	9,267	469,251	-	-
Other receivables	25	1,266	39	2,051
<b>Structured VULs</b>	<b>19,852,740</b>	<b>1,005,243,490</b>	<b>24,726,610</b>	<b>1,300,125,154</b>
	<b>US\$87,065,257</b>	<b>P4,408,549,256</b>	<b>US\$84,119,972</b>	<b>P4,423,028,084</b>
<b>Liabilities</b>				
Accounts payable	US\$13	P632	US\$21,125	P1,110,745
Accrued and other liabilities	96,653	4,894,025	81,453	4,282,819
	<b>US\$96,666</b>	<b>P4,894,657</b>	<b>US\$102,578</b>	<b>P5,393,564</b>

# INSULAR LIFE WEALTH SERIES FUNDS

## NOTES TO FINANCIAL STATEMENTS

The foregoing Dollar amounts have been restated to their Peso equivalents using the exchange rate of Php 50.635 and Php 52.58 to US\$1, prevailing spot rate and as recommended by IC, as of December 31, 2019 and 2018, respectively.


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

2019		2018	
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 2.58%	P113,614,289	Peso depreciation of 3.47%	P153,291,920
Peso appreciation of 2.58%	(113,614,289)	Peso appreciation of 3.47%	(153,291,920)



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