

A large, intricate stone relief sculpture is mounted on a building's facade. The sculpture is composed of several distinct figures and objects. On the left, there is a large, rounded object, possibly a piece of pottery or a traditional basket, with a rope attached. Next to it is a figure sitting on the ground, holding a large, fan-like object. To the right, a figure is shown playing a stringed instrument, possibly a guitar or a similar traditional instrument. Further right, there are several smaller figures engaged in various activities, including one that appears to be carrying a large bundle or structure. The entire relief is set against a background of light-colored stone tiles.

**PHILIPPINE RESILIENCE:**  
**A FORMIDABLE**  
**FOUNDATION FOR**  
**ECONOMIC GROWTH**

2013 WEALTH SERIES REPORT TO POLICY HOLDERS



# PHILIPPINE RESILIENCE: A Formidable Foundation For Economic Growth

2013 WEALTH SERIES REPORT TO POLICYHOLDERS

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Dear Valued Policyholder,

In many ways, 2013 was a story of our country's resilience.

The year began on a high note, sustained by the country's economic gains in 2012. This optimism was further buoyed by a succession of investment upgrades from major credit rating agencies Fitch, Standard and Poor's, and Moody's. The local bourse certainly benefitted from this favorable setting, with the PSEi posting records highs. However, by mid-year, a bout of downturns in several Asian economies, particularly China and Thailand, followed by the U.S. Federal Reserve's announcement of plans to taper fiscal stimulus provided through its Quantitative Easing program, and successive natural disasters that hit the Philippines, put a check on our economy's rapid upswing.

Yet, despite these challenges, the Philippines managed to remain steady, further strengthening its label as Asia's Rising Tiger. The country ended the final quarter of 2013 with a 6.5 percent growth in Gross Domestic Product, fuelled by gains in the Services and Manufacturing sectors. Indeed, the Philippines achieved

an annual GDP growth of 7.2 percent, from the previous year's 6.8 percent, and marked its strongest two years of growth since the post-war reconstruction surge in the 1950's.

What is clear, then, is that despite the downturns that the Philippines faced in 2013, our country's solid economic fundamentals continue to shield us from the worst repercussions of volatilities beyond our shores. Indeed, it is thanks to the Philippine economy's resilience that your Wealth Series Funds weathered 2013.

Among the WS Funds, the Peso Fixed Income Fund and the Balanced Fund delivered the best performance in 2013, posting gains of 4.42 percent and 1.9 percent respectively, at yearend.

Moving forward, we are confident that the Philippine economy's resilience makes it well-positioned to take advantage of gains when the market recovers. On our part, we will maintain a prudent approach in managing your funds, to manage risks and deliver the best yields to you.

On behalf of the company, I would like to thank you for choosing Insular Life to be your partner in wealth creation.

VICENTE R. AYLLÓN  
Chairman of the Board &  
Chief Executive Officer



## PESO FIXED INCOME FUND

### FUND PERFORMANCE

Peso Fixed Income Fund gained 4.42% net in 2013 despite volatilities in the local bond market during the year. The Fund ended 2013 with a Net Asset Value Per Unit (NAVPU) of Php1.835998 and continues to invest in a mix of government securities, corporate bonds, some corporate term loans and short-term securities. Corporate papers held by the fund substantially decreased in 2013 to 10% of total fund value from 32% in 2012 following release of a BIR Memorandum revising taxation on interest income from corporate term loans from 2% to 20%. Maturing corporate term loans and those that were earlier redeemed were reinvested in government securities.

### MARKET REVIEW

2013 started the year with a strong buying momentum mainly driven by three consecutive Special Deposit Account (SDA) rate cuts by the BSP from 3.50% to 2.00% by April 2013. Yields dropped across the curve as funds were rechanneled to government securities from SDA. Huge market liquidity, benign inflation outlook and steady policy rates likewise contributed to the local bond rally. The party continued when the country received its first investment grade rating from Fitch of BBB- with stable outlook in April then followed by another BBB- rating from S&P in May. With this backdrop, rates dropped further with the 20 and 25 year bonds touching below 4% while the Treasury bill auction in April was fully awarded at an average rate of 0.04%, 0.22% and 0.31% in the 91,182 and 364 day tenors, respectively.

The market's positive momentum, however, reversed on speculation that an improving U.S. economy will prompt the Federal Reserve to scale back asset purchases that have spurred fund flows into emerging markets like the Philippines. This prompted a sell-off in the bond market and even a higher than expected Gross Domestic Product (GDP) of 7.8% in Q1 was not enough to contain the negative response. Yields on treasury bills climbed as much as 170 basis points while the long-dated bonds gapped up by 200 basis points. The local bond market stayed cautious and investors were seen reducing long-duration bond positions while waiting for clear signals on developments in the US bond market.

Weakness in the local bond market somehow eased on higher liquidity from potential migration of Special Deposit Account (SDA) placements to equity and bond markets. Support for local bonds also firmed-up when Moody's raised the rating of Philippines by one notch to Baa3 from Ba1 with a positive outlook. But then again, the momentum was short-lived when US tapering eventually materialized and local rates rose in tandem with US Treasuries. Likewise, devastation brought about by super typhoon Haiyan that hit the eastern part of the country caused further anxiety as players try to assess impact of the calamity on fiscal performance and inflation.

### OUTLOOK

Moving forward, we think that volatility will likely persist as the US tapering story continues and inflation concerns linger on which could possibly prompt the BSP to raise rates in 2014.



## TOP HOLDINGS

### GOVERNMENT SECURITIES:

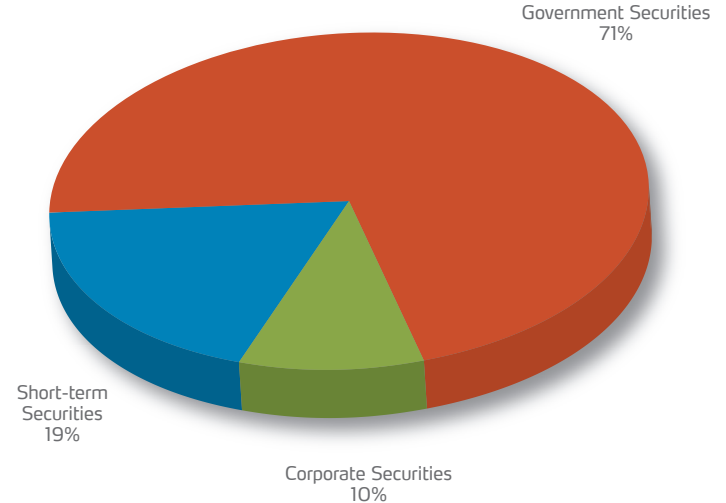
- Philippine Government Retail Treasury Bond due 01 Mar 2032
- Philippine Government Bond due 19 July 2031
- Philippine Government Retail Treasury Bond due 22 Nov 2019
- Philippine Government Retail Treasury Bond due 24 Oct 2037
- PSALM Bond due 22 Apr 2015

### CORPORATE PAPER:

- SMC Yamamura due 2014
- EDC Bonds due 2015
- SMB Bonds due 2014

## FIXED INCOME FUND

Fund Distribution by Market Value





## EQUITY FUND

### FUND PERFORMANCE

The Equity Fund ended 2013 with a NAVPU of Php3.777028, down from the previous year by (0.24%) and a volatility of 19.41%. The Fund slightly underperformed the Philippine Stock Exchange Index (PSEi), where the latter gained by 1.33% with a volatility of 23.81%. (Note: The volatility was based on the annualized standard deviation of weekly returns of the portfolio and the PSEi).

The Fund continues to be invested across all sectors of the market, still favoring the power sector and conglomerates. Exposure in telecommunications was increased as a defensive move, for dividend return, as market volatility increased due to external factors. The cash position of the fund was tapered down to around 9%, from 18% in the previous year, as opportunities to get into the market came into play.

### MARKET REVIEW

Strong country fundamentals, the anticipation and realization of Investment Grade status, and the May elections, initially carried the PSEi to market highs, rising by more than 25% in the first 5-months of 2013. However, the Quantitative Easing (QE) tapering announcement of the US Fed in May, along with analyst views of an expensive Emerging Market, attracted foreign investors back into the North American market. Despite the country's solid economy and robust corporate earnings, the uncertainty of the impact of the QE tapering and the shift of investors into other markets brought the PSEi back near its 2012 levels.

### OUTLOOK

For 2014, PSEi growth is still expected as Philippine economic and corporate fundamentals remain solid. Growth however may be more restrained than in prior years, as external risks remain present.

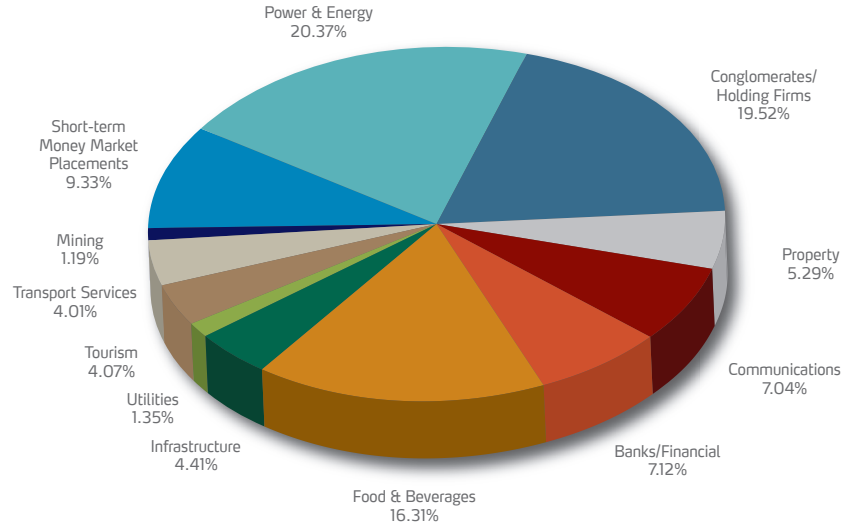


**EQUITY FUND STOCK LIST**

AC	AYALA CORPORATION
AEV	ABOITIZ EQUITIES VENTURES
AGI	ALLIANCE GLOBAL INC.
ALI	AYALA LAND INC.
AP	ABOITIZ POWER CORPORATION
BDO	BANCO DE ORO UNIVERSAL BANK
BPI	BANK OF THE PHILIPPINE ISLANDS
CEB	CEBU AIR INC.
DMC	DMCI HOLDINGS, INC.
EDC	ENERGY DEVELOPMENT CORPORATION
EEI	EEI CORPORATION
EWB	EAST WEST BANKING CORPORATION
FDC	FILINVEST DEVELOPMENT CORPORATION
FGEN	FIRSTGEN CORPORATION
FLI	FILINVEST LAND INC.
FPH	FIRST PHILIPPINE HOLDINGS
GLO	GLOBE TELECOMS
GTCAP	GT CAPITAL HOLDINGS, INC.
ICT	INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.
JFC	JOLLIBEE FOODS CORPORATION
JGS	JG SUMMIT HOLDINGS, INC.
MBT	METROBANK AND TRUST CO.
MEG	MEGAWORLD CORPORATION
MPI	METRO PACIFIC INVESTMENTS, CORP.
MWC	MANILA WATER CO.
NIKL	NICKEL ASIA CORPORATION
PBB	PHILIPPINE BUSINESS BANK
PCOR	PETRON CORPORATION
PGOLD	PUREGOLD PRICE CLUB, INC.
RLC	ROBINSONS LAND CORPORATION
RRHI	ROBINSONS RETAIL HOLDINGS, INC.
SCC	SEMIRARA MINING CORPORATION
SM	SM INVESTMENTS CORP.
SMC	SAN MIGUEL CORPORATION
SMPH	SM PRIME HOLDINGS, INC.
TEL	PHILIPPINE LONG DISTANCE TELEPHONE CO.
URC	UNIVERSAL ROBINA CORPORATION

**EQUITY FUND**

Fund Distribution by Market Value







## GROWTH FUND

### FUND PERFORMANCE

The Growth Fund closed 2013 with a NAVPU of Php1.410386, lower by 0.63% with volatility at 18.57%. The Fund tracked lower than the PSEi where the latter rose slightly by 1.33% with volatility at 23.81%. (Note: The volatility was based on the annualized standard deviation of weekly returns of the portfolio and the PSEi).

Fund exposure remains focused in sectors expected to outperform the economy in the long-term. Heaviest allocations are in the Power and Consumer sector, to be followed by conglomerates, tourism and infrastructure. Deployment of fund liquidity remains to be a challenge given market volatility, limited choices and avoidance of over-exposure in a single sector.

### MARKET REVIEW

The PSEi rose by more than 25% in the first 5 months of 2013, as it reached 7,300 levels on the back of strong fundamentals from both the country and the corporate sector. Notwithstanding the good numbers in all sectors, external issues raised by the QE tapering announcement of the US Fed and pricey valuations in Emerging Markets, led foreign investors to shift position outside the country, thereby causing sell-side pressures that pulled the market back to its year-end 2012 levels. Power plant damages caused by natural calamities and unfortunate accidents in some power related stocks likewise contributed to the market weakness.

### OUTLOOK

For 2014, the Power sector, Consumer sector and Infrastructure will be in focus as the government tries to fully implement its spending program to address the needs of a growing economy. External risks remain present and should continue to keep market volatility high.

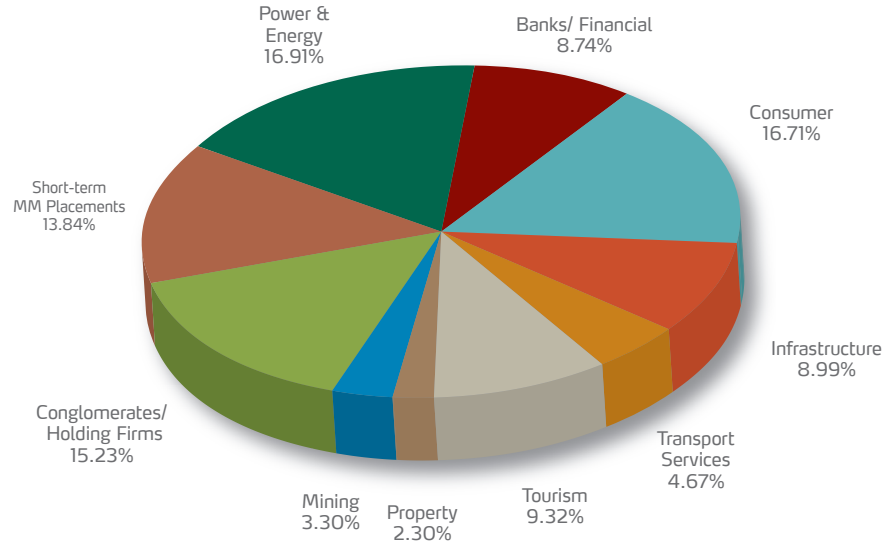


**GROWTH FUND STOCK LIST**

AC	AYALA CORPORATION
AEV	ABOITIZ EQUITY VENTURES, INC.
AGI	ALLIANCE GLOBAL INC.
AP	ABOITIZ POWER CORPORATION
BDO	BANCO DE ORO UNIVERSAL BANK
BEL	BELLE CORPORATION
CEB	CEBU AIR, INC.
CIC	CONCEPCION INDUSTRIAL CORPORATION
DMC	DMCI HOLDINGS, INC.
DNL	D AND L INDUSTRIES, INC.
EDC	ENERGY DEVELOPMENT CORPORATION
EEL	EEL CORPORATION
EWB	EAST WEST BANKING CORPORATION
FGEN	FIRSTGEN CORPORATION
FPH	FIRST PHILIPPINE HOLDINGS
GTCAP	GT CAPITAL HOLDINGS, INC.
ICT	INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.
JGS	JG SUMMIT HOLDINGS, INC.
LRI	LAFARGE REPUBLIC, INC.
MBT	METROPOLITAN BANK AND TRUST COMPANY
MPI	METRO PACIFIC INVESTMENTS
NIKL	NICKEL ASIA CORP.
PBB	PHILIPPINE BUSINESS BANK
PCOR	PETRON CORPORATION
PGOLD	PUREGOLD PRICE CLUB, INC.
PIP	PEPSI-COLA PRODUCTS PHILIPPINES, INC.
PX	PHILEX MINING
RLC	ROBINSONS LAND CORPORATION
RRHI	ROBINSONS RETAIL HOLDINGS, INC.
RWM	TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.
SCC	SEMIRARA MINING CORPORATION
SM	SM INVESTMENTS CORP.
SMC	SAN MIGUEL CORPORATION
SMPH	SM PRIME CORPORATION
TA	TRANS-ASIA OIL AND ENERGY DEV'T CORP.
URC	UNIVERSAL ROBINA CORPORATION

**GROWTH FUND**

Fund Distribution by Market Value





## BALANCED FUND

### FUND PERFORMANCE

The year 2013 saw the Balanced Fund register a return of 1.90% on the back of a diversified portfolio of investments in fixed income securities and listed equities as NAVPU was pegged at Php2.560936. Investing 47% in stable and relatively risk free instruments through the Fixed Income Fund, it was able to reap moderate gains that were tempered by the 53% exposure to the Equity Fund, which approximated the previous year's level.

### MARKET REVIEW

In 2013, the market went on a rollercoaster ride of highs and lows reflecting mixed investor sentiment from the myriad of events that transpired throughout the year. Coming from a banner year, the market continued its ascent as sustained strong country fundamentals affirmed by a credit rating of Investment Grade from all three credit rating agencies along with May election spending boosted the performance of both the stock and bond market during the first half of the year. Although afterwards, the markets spun in a different direction shortly after the announcement by the US Fed of the tapering of its QE program as uncertainty caused investors to remain cautious and adopt a risk off stance from emerging markets in general.

Locally, the country was rocked with a succession of natural and man-made crises during the latter part of the year. Amidst the dampened environment and concern over the socio-economic impact of these disasters, market reflected almost flattish growth, which showed the toll it had taken on the gains earned earlier in the year. Yet as the year 2013 came to a close, it was encouraging to note that key economic indicators such as GDP growth, benign inflation and Gross International Revenue (GIR) levels among others, showed some degree of resiliency.

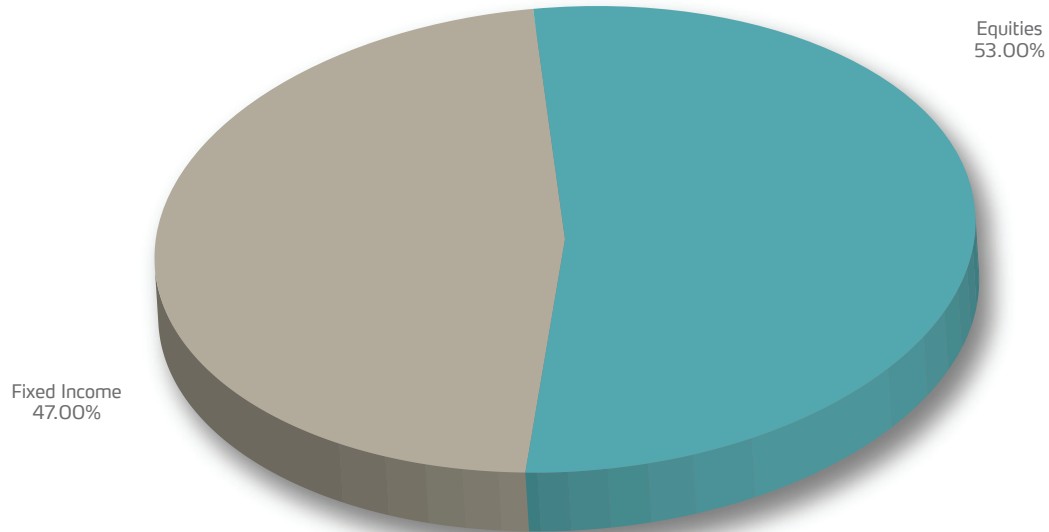
### OUTLOOK

Looking forward, we expect concerns will linger on the impact of the unraveling of the US Fed's tapering program on the world's largest economy, while on the local front inflationary pressures and fiscal governance will remain key factors in 2014. These factors may lead to market volatility as participants anticipate and react to global issues as they unfold. However, we believe that there are still opportunities for growth as the country maintains sound economic fundamentals that should allow it to bear any adverse effects of external events further.



## BALANCED FUND

Fund Distribution by Market Value





## DOLLAR FIXED INCOME FUND

### FUND PERFORMANCE

The Dollar Fixed Income Fund ended the year with a NAVPU of USD1.395711, declining year-on-year by 6.6%. The Fund remains largely invested in Philippine sovereign issues and a few select Philippine corporates. The Fund maintained ample liquidity at yearend amid market uncertainties that caused downward bias during the year, particularly in the second half.

### MARKET REVIEW

The year 2013 turned out to be a year of two halves for the emerging markets. For Philippine dollar bond issues, in particular, asset prices managed to stay somewhat afloat in the first half of the year notwithstanding the shift in investors' appetite to riskier assets like equities following a more positive outlook for the US economy. Still, investor interest in Philippine issues was sustained to a certain degree on account of the country's solid fundamentals which earned for it investment grade credit ratings from Fitch, S&P (and eventually, Moody's as well).

Bond prices started to head south in May on the back of thin liquidity as market players turned largely cautious. Philippine dollar bond issues had become hostage once more to increasing US Treasury yields following better-than-expected jobs numbers and positive outlook on the US labor market. From thereon, speculations on the moves of the US Federal Reserve regarding stimulus resulted to guarded moves in

the market. In particular, prices of bonds and equities, not only in the emerging markets where the Philippines is included but globally as well, declined when the US Federal Reserve announced that it may start scaling down fiscal stimulus provided through its QE program following significantly improving US economic numbers. Market speculations as regards the QE taper were put to rest only towards the end of the year when then Federal Reserve Chairman Ben Bernanke announced that it would begin its tapering program in January 2014 by reducing bond purchases in the amount of \$10 million a month. Nonetheless, investors remained cautious as it assessed the impact of the tapering on the financial markets.

On the domestic front, the country's economic fundamentals remained intact despite its substantial share of challenges in 2013 both from natural and man-made calamities, i.e. Zamboanga siege in September, Bohol earthquake in October and super typhoon Haiyan in November. As at end-2013, the Philippines registered GDP growth rate of 7.2%, benign inflation of 3%, Gross International Reserves of USD83.2 billion and current account surplus of USD9.4 billion.

### OUTLOOK

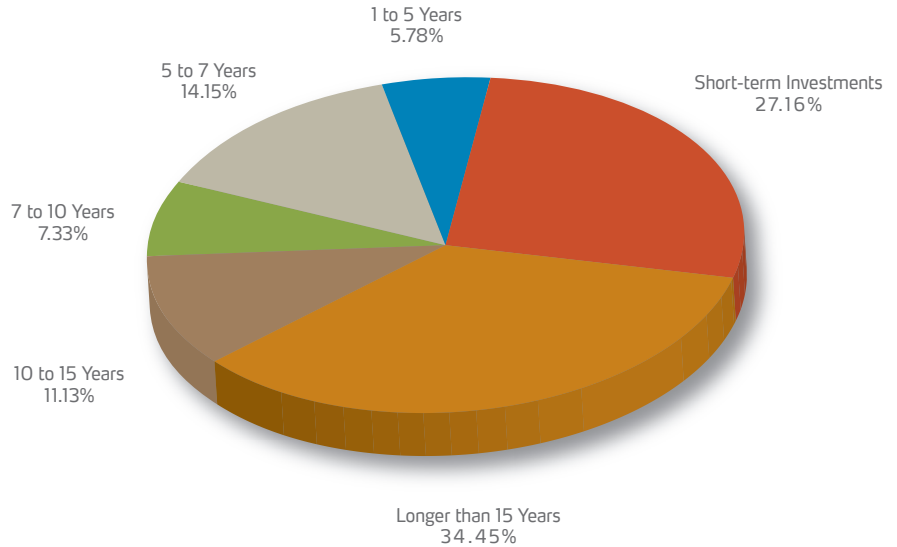
While the outlook for the Philippines remains favorable as economic indicators show sustained performance and cushion the economy against external shocks, investors are expected to continue observing global events, particularly developments in relation to the start of the Fed's tapering program in January 2014 as well as movements in US interest rates. For the coming year, we anticipate such external factors to remain as the main market drivers.



## DOLLARFIXED INCOME FUND

Fund Distribution by Market Value

- TOP HOLDINGS**
- Republic of the Philippines 2034
  - Republic of the Philippines 2037
  - Republic of the Philippines 2032
  - Republic of the Philippines 2031
  - Republic of the Philippines 2021



## THE BOARD OF TRUSTEES

THE INSULAR LIFE ASSURANCE COMPANY, LTD.

## REPORT ON THE COMBINED FINANCIAL STATEMENTS

We have audited the accompanying combined financial statements of Insular Life Wealth Series Funds, which comprise the combined statements of financial position as at December 31, 2013 and 2012, and the combined statements of comprehensive income, combined statements of changes in net assets attributable to unit holders and combined statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

## MANAGEMENT'S RESPONSIBILITY FOR THE COMBINED FINANCIAL STATEMENTS

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

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

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, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

## RESTRICTION ON DISTRIBUTION AND USE

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

SYCIP GORRES VELAYO & CO.

**DJOLE S. GARCIA**

Partner

CPA Certificate No. 0097907

SEC Accreditation No. 1285-A (Group A),

February 25, 2013, valid until February 24, 2016

Tax Identification No. 201-960-347

BIR Accreditation No. 08-001998-102-2013,

January 28, 2013, valid until January 27, 2016

PTR No. 4225176, January 2, 2014, Makati City

March 27, 2014





December 31, 2013

Peso Investment Funds

	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Strategic Resources Fund	Asian Emerging Companies Fund	Total Peso Investment Funds
<b>ASSETS</b>							
Cash and cash equivalents (Note 3)	₱140,468	₱227,397,473	₱322,140,474	₱517,603,537	₱-	₱-	₱1,067,281,952
Financial assets at fair value through profit or loss (Note 4):							
Debt securities	-	1,065,598,621	-	-	318,045,000	304,544,528	1,688,188,149
Equity securities	-	-	3,175,001,476	3,360,313,440	-	-	6,535,314,916
Investment in fixed income fund	660,905,759	-	-	-	-	-	660,905,759
Investment in equity fund	749,904,969	-	-	-	-	-	749,904,969
Subscriptions receivable (Note 5)	168,988	678,108	5,269,838	19,397,910	-	-	25,514,844
Investment income receivable (Note 5)	-	10,330,555	1,762,615	1,059,332	-	-	13,152,502
Other receivables (Note 5)	-	127,093	4,643,225	3,886,808	-	-	8,657,126
	1,411,120,184	1,304,131,850	3,508,817,628	3,902,261,027	318,045,000	304,544,528	10,748,920,217
<b>LIABILITIES (Note 6)</b>							
Accounts payable	168,988	-	-	-	-	-	168,988
Accrued and other liabilities	380,805	1,936,610	6,696,116	7,381,197	-	-	16,394,728
	549,793	1,936,610	6,696,116	7,381,197	-	-	16,563,716
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>							
	₱1,410,570,391	₱1,302,195,240	₱3,502,121,512	₱3,894,879,830	₱318,045,000	₱304,544,528	₱10,732,356,501
<b>Number of Units</b>	550,802,692	709,257,453	927,216,149	2,761,570,413	325,000	375,471	
<b>Net Asset Value Per Unit</b>	₱2.56	₱1.84	₱3.78	₱1.41	₱978.60	₱811.10	

See accompanying Notes to Combined Financial Statements.



December 31, 2013

Dollar Investment Funds

	Fixed Income Fund	Greater China Fund	Strategic Energy Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Total Dollar Investment Funds	Total Peso and Dollar Investment Funds	Eliminating Entries	Combined
<b>ASSETS</b>											
Cash and cash equivalents (Note 3)	₱329,670,691	₱-	₱-	₱-	₱-	₱-	₱-	₱329,670,691	₱1,396,952,643	₱-	₱1,396,952,643
Financial assets at fair value through profit or loss (Note 4):											
Debt securities	931,512,881	326,481,807	719,966,485	168,684,372	71,646,444	115,041,143	356,155,866	2,689,488,998	4,377,677,147	-	4,377,677,147
Equity securities	-	-	-	-	-	-	-	-	6,535,314,916	-	6,535,314,916
Investment in fixed income fund	-	-	-	-	-	-	-	-	660,905,759	(660,905,759)	-
Investment in equity fund	-	-	-	-	-	-	-	-	749,904,969	(749,904,969)	-
Subscriptions receivable (Note 5)	-	-	-	-	-	-	-	-	25,514,844	(168,988)	25,345,856
Investment income receivable (Note 5)	17,858,064	-	-	-	-	-	-	17,858,064	31,010,566	-	31,010,566
Other receivables (Note 5)	8,051	-	-	-	-	-	-	8,051	8,665,177	(254,188)	8,410,989
	1,279,049,687	326,481,807	719,966,485	168,684,372	71,646,444	115,041,143	356,155,866	3,037,025,804	13,785,946,021	(1,411,233,904)	12,374,712,117
<b>LIABILITIES (Note 6)</b>											
Accounts payable	1,602,534	-	-	-	-	-	-	1,602,534	1,771,522	(168,988)	1,602,534
Accrued and other liabilities	1,895,354	-	-	-	-	-	-	1,895,354	18,290,082	(254,188)	18,035,894
	3,497,888	-	-	-	-	-	-	3,497,888	20,061,604	(423,176)	19,638,428
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	<b>₱1,275,551,799</b>	<b>₱326,481,807</b>	<b>₱719,966,485</b>	<b>₱168,684,372</b>	<b>₱71,646,444</b>	<b>₱115,041,143</b>	<b>₱356,155,866</b>	<b>₱3,033,527,916</b>	<b>₱13,765,884,417</b>	<b>(₱1,410,810,728)</b>	<b>₱12,355,073,689</b>
<b>Number of Units</b>	<b>20,577,034</b>	<b>7,228</b>	<b>16,300</b>	<b>4,000</b>	<b>1,750</b>	<b>3,000</b>	<b>10,000</b>				
<b>Net Asset Value Per Unit</b>	<b>₱61.99</b>	<b>₱45,169.04</b>	<b>₱44,169.72</b>	<b>₱42,171.09</b>	<b>₱40,940.83</b>	<b>₱38,347.05</b>	<b>₱35,615.59</b>				

See accompanying Notes to Combined Financial Statements.



December 31, 2012

Peso Investment Funds

	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Strategic Resources Fund	Asian Emerging Companies Fund	Total Peso Investment Funds
<b>ASSETS</b>							
Cash and cash equivalents (Note 3)	₱140,431	₱68,248,350	₱648,839,534	₱197,693,609	₱–	₱–	₱914,921,924
Financial assets at fair value through profit or loss (Note 4):							
Debt securities	–	949,557,611	–	–	322,692,500	333,418,248	1,605,668,359
Equity securities	–	–	2,949,089,787	1,209,890,263	–	–	4,158,980,050
Investment in fixed income fund	537,045,719	–	–	–	–	–	537,045,719
Investment in equity fund	658,823,695	–	–	1,128,796,856	–	–	1,787,620,551
Investment income receivable (Note 5)	–	11,603,441	2,102,814	369,030	–	–	14,075,285
Other receivables (Note 5)	–	622,443	13,959,510	1,149,567	–	–	15,731,520
	1,196,009,845	1,030,031,845	3,613,991,645	2,537,899,325	322,692,500	333,418,248	9,034,043,408
<b>LIABILITIES</b> (Note 6)							
Accounts payable	–	–	19,758,378	12,368,410	–	–	32,126,788
Accrued and other liabilities	1,223,523	1,622,985	7,045,179	4,898,738	–	–	14,790,425
	1,223,523	1,622,985	26,803,557	17,267,148	–	–	46,917,213
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	<b>₱1,194,786,322</b>	<b>₱1,028,408,860</b>	<b>₱3,587,188,088</b>	<b>₱2,520,632,177</b>	<b>₱322,692,500</b>	<b>₱333,418,248</b>	<b>₱8,987,126,195</b>
<b>Number of Units</b>	<b>475,359,189</b>	<b>584,896,556</b>	<b>947,246,838</b>	<b>1,775,633,039</b>	<b>325,000</b>	<b>375,471</b>	
<b>Net Asset Value Per Unit</b>	<b>₱2.51</b>	<b>₱1.76</b>	<b>₱3.79</b>	<b>₱1.42</b>	<b>₱992.90</b>	<b>₱888.00</b>	

See accompanying Notes to Combined Financial Statements.



December 31, 2012

Dollar Investment Funds

	Fixed Income Fund	Greater China Fund	Strategic Energy Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Total Dollar Investment Funds	Total Peso and Dollar Investment Funds	Eliminating Entries	Combined
<b>ASSETS</b>									
Cash and cash equivalents (Note 3)	₱125,704,487	₱-	₱-	₱-	₱-	₱125,704,487	₱1,040,626,411	₱-	₱1,040,626,411
Financial assets at fair value through profit or loss (Note 4):									
Debt securities	826,871,167	302,320,907	640,409,553	163,004,982	69,483,695	2,002,090,304	3,607,758,663	-	3,607,758,663
Equity securities	-	-	-	-	-	-	4,158,980,050	-	4,158,980,050
Investment in fixed income fund	-	-	-	-	-	-	537,045,719	(537,045,719)	-
Investment in equity fund	-	-	-	-	-	-	1,787,620,551	(1,787,620,551)	-
Investment income receivable (Note 5)	13,803,036	-	-	-	-	13,803,036	27,878,321	-	27,878,321
Other receivables (Note 5)	7,466	-	-	-	-	7,466	15,738,986	(1,223,523)	14,515,463
	966,386,156	302,320,907	640,409,553	163,004,982	69,483,695	2,141,605,293	11,175,648,701	(2,325,889,793)	8,849,758,908
<b>LIABILITIES (Note 6)</b>									
Accounts payable	-	-	-	-	-	-	32,126,788	-	32,126,788
Accrued and other liabilities	1,423,832	-	-	-	-	1,423,832	16,214,257	(1,223,523)	14,990,734
	1,423,832	-	-	-	-	1,423,832	48,341,045	(1,223,523)	47,117,522
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>									
	₱964,962,324	₱302,320,907	₱640,409,553	₱163,004,982	₱69,483,695	₱2,140,181,461	₱11,127,307,656	(₱2,324,666,270)	₱8,802,641,386
<b>Number of Units</b>									
	15,678,408	7,228	16,300	4,000	1,750				
<b>Net Asset Value Per Unit</b>									
	₱1.55	₱41,826.36	₱39,288.93	₱40,751.25	₱39,704.97				

See accompanying Notes to Combined Financial Statements.



Year Ended December 31, 2013							
Peso Investment Funds							
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Strategic Resources Fund	Asian Emerging Companies Fund	Total Peso Investment Funds
<b>INCOME</b>							
Interest income - deposits	₱46	₱544,771	₱1,934,461	₱1,517,751	₱-	₱-	₱3,997,029
Interest income - debt securities	-	64,373,723	-	-	-	-	64,373,723
Dividends	-	-	85,013,476	41,677,680	-	-	126,691,156
	46	64,918,494	86,947,937	43,195,431	-	-	195,061,908
<b>EXPENSES</b>							
Management fees (Note 7)	-	17,830,886	79,560,557	72,649,577	-	-	170,041,020
Administration fees (Note 7)	380,805	616,572	1,751,576	1,577,872	-	-	4,326,825
Custody fees (Note 7)	-	143,461	798,124	553,066	-	-	1,494,651
Interest expense	-	-	-	-	-	-	-
Government taxes and duties	9	11,944,986	196,175	196,147	-	-	12,337,317
Professional fees	-	106,130	106,130	106,130	-	-	318,390
Transaction costs	-	133,343	389,435	298,598	-	-	821,376
	380,814	30,775,378	82,801,997	75,381,390	-	-	189,339,579
<b>OTHER INCOME (LOSSES)</b>							
Net change in unrealized gain (loss)							
on investment	1,445,921	(4,262,738)	(426,753,905)	(340,925,975)	(4,647,500)	(28,873,720)	(804,017,917)
Realized gain (loss) on investment	10,106,888	13,082,329	273,508,576	234,017,434	-	-	530,715,227
Foreign currency gain (loss)	-	-	-	-	-	-	-
Other income	-	-	22,955	17	-	-	22,972
	11,552,809	8,819,591	(153,222,374)	(106,908,524)	(4,647,500)	(28,873,720)	(273,279,718)
<b>NET INCREASE (DECREASE)</b>							
<b>IN NET ASSETS</b>							
<b>ATTRIBUTABLE TO</b>							
<b>UNITHOLDERS RESULTING</b>							
<b>FROM OPERATIONS</b>	₱11,172,041	₱42,962,707	(₱149,076,434)	(₱139,094,483)	(₱4,647,500)	(₱28,873,720)	(₱267,557,389)

See accompanying Notes to Combined Financial Statements.



Year Ended December 31, 2013

Dollar Investment Funds

	Fixed Income Fund	Greater China Fund	Strategic Energy Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Total Dollar Investment Funds	Total Peso and Dollar Investment Funds	Eliminating Entries	Combined
<b>INCOME</b>											
Interest income - deposits	P-	P-	P-	P-	P-	P-	P-	P-	₱3,997,029	P-	₱3,997,029
Interest income - debt securities	52,620,195	-	-	-	-	-	-	52,620,195	116,993,918	-	116,993,918
Dividends	-	-	-	-	-	-	-	-	126,691,156	-	126,691,156
	52,620,195	-	-	-	-	-	-	52,620,195	247,682,103	-	247,682,103
<b>EXPENSES</b>											
Management fees (Note 7)	18,358,172	-	-	-	-	-	-	18,358,172	188,399,192	-	188,399,192
Administration fees (Note 7)	526,787	-	-	-	-	-	-	526,787	4,853,612	-	4,853,612
Custody fees (Note 7)	180,293	-	-	-	-	-	-	180,293	1,674,944	-	1,674,944
Interest expense	664	-	-	-	-	-	-	664	664	-	664
Government taxes and duties	-	-	-	-	-	-	-	-	12,337,317	-	12,337,317
Professional fees	31,962	-	-	-	-	-	-	31,962	350,352	-	350,352
Transaction costs	75,504	-	-	-	-	-	-	75,504	896,880	-	896,880
	19,173,382	-	-	-	-	-	-	19,173,382	208,512,961	-	208,512,961
<b>OTHER INCOME (LOSSES)</b>											
Net change in unrealized gain (loss) on investment	(119,185,178)	476,378	27,327,184	(6,557,766)	(3,034,820)	(27,626,595)	(104,775,920)	(233,376,717)	(1,037,394,634)	(1,445,921)	(1,038,840,555)
Realized gain (loss) on investment	5,572,847	-	-	-	-	-	-	5,572,847	536,288,074	(10,106,888)	526,181,186
Foreign currency gain (loss)	75,478,457	23,684,522	52,229,748	12,237,156	5,197,569	9,425,738	16,791,786	195,044,976	195,044,976	-	195,044,976
Other income	-	-	-	-	-	-	-	-	22,972	-	22,972
	(38,133,874)	24,160,900	79,556,932	5,679,390	2,162,749	(18,200,857)	(87,984,134)	(32,758,894)	(306,038,612)	(11,552,809)	(317,591,421)
<b>NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS RESULTING FROM OPERATIONS</b>											
	(₱4,687,061)	₱24,160,900	₱79,556,932	₱5,679,390	₱2,162,749	(₱18,200,857)	(₱87,984,134)	₱687,919	(₱266,869,470)	(₱11,552,809)	(₱278,422,279)

See accompanying Notes to Combined Financial Statements.



Year Ended December 31, 2012							
Peso Investment Funds							
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Strategic Resources Fund	Asian Emerging Companies Fund	Total Peso Investment Funds
<b>INCOME</b>							
Interest income - deposits	₱302	₱666,826	₱1,686,507	₱909,025	₱-	₱-	₱3,262,660
Interest income - debt securities	-	66,885,784	-	-	-	-	66,885,784
Dividends	-	-	52,168,565	14,396,083	-	-	66,564,648
	302	67,552,610	53,855,072	15,305,108	-	-	136,713,092
<b>EXPENSES</b>							
Management fees (Note 7)	-	16,637,759	49,155,926	37,178,427	-	-	102,972,112
Administration fees (Note 7)	-	515,799	1,099,876	821,946	-	-	2,437,621
Custody fees (Note 7)	-	171,412	685,741	282,853	-	-	1,140,006
Government taxes and duties	60	8,584,548	338,321	182,455	-	-	9,105,384
Professional fees	-	105,424	105,424	102,100	-	-	312,948
Transaction costs	-	266,831	266,831	-	-	-	533,662
	60	26,281,773	51,652,119	38,567,781	-	-	116,501,733
<b>OTHER INCOME (LOSSES)</b>							
Net change in unrealized gain (loss) on							
investment	160,422,130	(577,857)	658,629,770	476,641,627	17,940,000	(42,052,752)	1,271,002,918
Realized gain (loss) on investment	46,984,053	20,567,663	53,848,157	32,316,178	-	-	153,716,051
Foreign currency gain (loss)	-	-	-	-	-	-	-
Other income	-	45,000	55,713	34,700	-	-	135,413
	207,406,183	20,034,806	712,533,640	508,992,505	17,940,000	(42,052,752)	1,424,854,382
<b>NET INCREASE (DECREASE)</b>							
<b>IN NET ASSETS</b>							
<b>ATTRIBUTABLE TO</b>							
<b>UNITHOLDERS RESULTING</b>							
<b>FROM OPERATIONS</b>							
	₱207,406,425	₱61,305,643	₱714,736,593	₱485,729,832	₱17,940,000	(₱42,052,752)	₱1,445,065,741

See accompanying Notes to Combined Financial Statements.



Year Ended December 31, 2012

Dollar Investment Funds

	Fixed Income Fund	Greater China Fund	Strategic Energy Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Total Dollar Investment Funds	Total Peso and Dollar Investment Funds	Eliminating Entries	Combined
<b>INCOME</b>									
Interest income - deposits	P-	P-	P-	P-	P-	P-	₱3,262,660	P-	₱3,262,660
Interest income - debt securities	31,575,412	-	-	-	-	31,575,412	98,461,196	-	98,461,196
Dividends	-	-	-	-	-	-	66,564,648	-	66,564,648
	31,575,412	-	-	-	-	31,575,412	168,288,504	-	168,288,504
<b>EXPENSES</b>									
Management fees (Note 7)	10,640,064	-	-	-	-	10,640,064	113,612,176	-	113,612,176
Administration fees (Note 7)	311,463	-	-	-	-	311,463	2,749,084	-	2,749,084
Custody fees (Note 7)	163,774	-	-	-	-	163,774	1,303,780	-	1,303,780
Government taxes and duties	-	-	-	-	-	-	9,105,384	-	9,105,384
Professional fees	542	-	-	-	-	542	313,490	-	313,490
Transaction costs	22,656	-	-	-	-	22,656	556,318	-	556,318
	11,138,499	-	-	-	-	11,138,499	127,640,232	-	127,640,232
<b>OTHER INCOME (LOSSES)</b>									
Net change in unrealized gain (loss) on investment	54,152,284	25,605,277	52,170,080	(1,763,018)	(2,602,305)	127,562,318	1,398,565,236	(160,422,130)	1,238,143,106
Realized gain (loss) on investment	-	-	-	-	-	-	153,716,051	(46,984,053)	106,731,998
Foreign currency gain (loss)	(30,247,270)	(18,379,636)	(39,071,256)	(4,336,000)	(1,121,750)	(93,155,912)	(93,155,912)	-	(93,155,912)
Other income	-	-	-	-	-	-	135,413	-	135,413
	23,905,014	7,225,641	13,098,824	(6,099,018)	(3,724,055)	34,406,406	1,459,260,788	(207,406,183)	1,251,854,605
<b>NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS RESULTING FROM OPERATIONS</b>	<b>₱44,341,927</b>	<b>₱7,225,641</b>	<b>₱13,098,824</b>	<b>(₱6,099,018)</b>	<b>(₱3,724,055)</b>	<b>₱54,843,319</b>	<b>₱1,499,909,060</b>	<b>(₱207,406,183)</b>	<b>₱1,292,502,877</b>

See accompanying Notes to Combined Financial Statements.





**Peso Investment Funds**

	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Strategic Resources Fund	Asian Emerging Companies Fund	Total Peso Investment Funds
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2011</b>	<b>₱1,078,188,005</b>	<b>₱1,049,756,746</b>	<b>₱1,846,860,105</b>	<b>₱1,290,042,964</b>	<b>₱304,752,500</b>	<b>₱-</b>	<b>₱5,569,600,320</b>
Contributions received from units issued	46,822,607	244,882,526	1,349,137,569	892,583,925	-	375,471,000	2,908,897,627
Redemptions during the year	(137,630,715)	(327,536,055)	(323,546,179)	(147,724,544)	-	-	(936,437,493)
	(90,808,108)	(82,653,529)	1,025,591,390	744,859,381	-	375,471,000	1,972,460,134
Net increase in net assets attributable to unitholders resulting from operations	207,406,425	61,305,643	714,736,593	485,729,832	17,940,000	(42,052,752)	1,445,065,741
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2012</b>	<b>1,194,786,322</b>	<b>1,028,408,860</b>	<b>3,587,188,088</b>	<b>2,520,632,177</b>	<b>322,692,500</b>	<b>333,418,248</b>	<b>8,987,126,195</b>
Contributions received from units issued	229,635,094	341,101,684	1,965,972,284	1,729,405,267	-	-	4,266,114,329
Redemptions during the year	(25,023,066)	(110,278,011)	(1,901,962,426)	(216,063,131)	-	-	(2,253,326,634)
	204,612,028	230,823,673	64,009,858	1,513,342,136	-	-	2,012,787,695
Net increase in net assets attributable to unitholders resulting from operations	11,172,041	42,962,707	(149,076,434)	(139,094,483)	(4,647,500)	(28,873,720)	(267,557,389)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2013</b>	<b>₱1,410,570,391</b>	<b>₱1,302,195,240</b>	<b>₱3,502,121,512</b>	<b>₱3,894,879,830</b>	<b>₱318,045,000</b>	<b>₱304,544,528</b>	<b>10,732,356,501</b>

See accompanying Notes to Combined Financial Statements.



Dollar Investment Funds

	Fixed Income Fund	Greater China Fund	Strategic Energy Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Total Dollar Investment Funds	Total Peso and Dollar Investment Funds	Eliminating Entries	Combined
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2011</b>	<b>₱485,636,717</b>	<b>₱295,095,266</b>	<b>₱627,310,729</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱1,408,042,712</b>	<b>₱6,977,643,032</b>	<b>(₱1,671,827,439)</b>	<b>₱5,305,815,593</b>
Contributions received from units issued	460,052,158	-	-	169,104,000	73,207,750	-	-	702,363,908	3,611,261,535	(583,063,363)	3,028,198,172
Redemptions during the year	(25,068,478)	-	-	-	-	-	-	(25,068,478)	(961,505,971)	137,630,715	(823,875,256)
	434,983,680	-	-	169,104,000	73,207,750	-	-	677,295,430	2,649,755,564	(445,432,648)	2,204,322,916
Net increase in net assets attributable to unitholders resulting from operations	44,341,927	7,225,641	13,098,824	(6,099,018)	(3,724,055)	-	-	54,843,319	1,499,909,060	(207,406,183)	1,292,502,877
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2012</b>	<b>964,962,324</b>	<b>302,320,907</b>	<b>640,409,553</b>	<b>163,004,982</b>	<b>69,483,695</b>	<b>-</b>	<b>-</b>	<b>2,140,181,461</b>	<b>11,127,307,656</b>	<b>(2,324,666,270)</b>	<b>8,802,641,386</b>
Contributions received from units issued	343,026,055	-	-	-	-	133,242,000	444,140,000	920,408,055	5,186,522,384	900,385,285	6,086,907,669
Redemptions during the year	(27,749,519)	-	-	-	-	-	-	(27,749,519)	(2,281,076,153)	25,023,066	(2,256,053,087)
	315,276,536	-	-	-	-	133,242,000	444,140,000	892,658,536	2,905,446,231	925,408,351	3,830,854,582
Net increase in net assets attributable to unitholders resulting from operations	(4,687,061)	24,160,900	79,556,932	5,679,390	2,162,749	(18,200,857)	(87,984,134)	687,919	(266,869,470)	(11,552,809)	(278,422,279)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2013</b>	<b>₱1,275,551,799</b>	<b>₱326,481,807</b>	<b>₱719,966,485</b>	<b>₱168,684,372</b>	<b>₱71,646,444</b>	<b>₱115,041,143</b>	<b>₱356,155,866</b>	<b>₱3,033,527,916</b>	<b>₱13,765,884,417</b>	<b>(₱1,410,810,728)</b>	<b>₱12,355,073,689</b>

See accompanying Notes to Combined Financial Statements.



Year Ended December 31, 2013							
Peso Investment Funds							
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Strategic Resources Fund	Asian Emerging Companies Fund	Total Peso Investment Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Net increase (decrease) in net assets attributable to unitholders							
Adjustments for loss (gain) on increase/decrease in value and sale of investments - net	₱11,172,041	₱42,962,707	(₱149,076,434)	(₱139,094,483)	(₱4,647,500)	(₱28,873,720)	(₱267,557,389)
Operating income (loss) before working capital changes	(380,768)	34,143,116	4,145,940	(32,185,959)	–	–	5,722,329
Net (decrease) increase:							
Subscription receivable	(168,988)	(678,108)	(5,269,838)	(19,397,910)	–	–	(25,514,844)
Investment income receivable	–	1,272,886	340,199	(690,302)	–	–	922,783
Other receivable	–	495,350	9,316,285	(2,737,241)	–	–	7,074,394
Net (increase) decrease:							
Accounts payable, accrued and other liabilities	(673,730)	313,625	(20,107,441)	(9,885,951)	–	–	(30,353,497)
Net cash from (used in) operating activities	(1,223,486)	35,546,869	(11,574,855)	(64,897,363)	–	–	(42,148,835)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Net disposal (acquisition) of investments	(203,388,505)	(107,221,419)	(379,134,063)	(1,128,534,845)	–	–	(1,818,278,832)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Net contributions (withdrawals) to the funds	204,612,028	230,823,673	64,009,858	1,513,342,136	–	–	2,012,787,695
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>							
	37	159,149,123	(326,699,060)	319,909,928	–	–	152,360,028
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>							
	140,431	68,248,350	648,839,534	197,693,609	–	–	914,921,924
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)</b>							
	₱140,468	₱227,397,473	₱322,140,474	₱517,603,537	₱–	₱–	₱1,067,281,952

See accompanying Notes to Combined Financial Statements.



**Year Ended December 31, 2013**

**Dollar Investment Funds**

	Fixed Income Fund	Greater China Fund	Strategic Energy Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Fund	Asian Emerging Companies Fund	Total Dollar Investment Funds	Total	Eliminating Entries	Combined
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>											
Net increase (decrease) in net assets attributable to unitholders resulting from operations	(P4,687,061)	P24,160,900	P79,556,932	P5,679,390	P2,162,749	(P18,200,857)	(P87,984,134)	P687,919	(P266,869,470)	(P11,552,809)	(P278,422,279)
Adjustments for loss (gain) on increase/ decrease in value and sale of investments - net	38,133,874	(24,160,900)	(79,556,932)	(5,679,390)	(2,162,749)	18,200,857	87,984,134	32,758,894	306,038,612	11,552,809	317,591,421
Operating income (loss) before working capital changes	33,446,813	-	-	-	-	-	-	33,446,813	39,169,142	-	39,169,142
Net (decrease) increase:											
Subscription receivable	-	-	-	-	-	-	-	-	(25,514,844)	-	(25,514,844)
Investment income receivable	(4,055,028)	-	-	-	-	-	-	(4,055,028)	(3,132,245)	-	(3,132,245)
Other receivable	(585)	-	-	-	-	-	-	(585)	7,073,809	-	7,073,809
Net (increase) decrease:											
Accounts payable, accrued and other liabilities	2,074,056	-	-	-	-	-	-	2,074,056	(28,279,441)	-	(28,279,441)
Net cash from (used in) operating activities	31,465,256	-	-	-	-	-	-	31,465,256	(10,683,579)	-	(10,683,579)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Net disposal (acquisition) of investments	(142,775,588)	-	-	-	-	(133,242,000)	(444,140,000)	(720,157,588)	(2,538,436,420)	(925,408,351)	(3,463,844,771)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
Net contributions (withdrawals) to the funds	315,276,536	-	-	-	-	133,242,000	444,140,000	892,658,536	2,905,446,231	925,408,351	3,830,854,582
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>											
	203,966,204	-	-	-	-	-	-	203,966,204	356,326,232	-	356,326,232
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>											
	125,704,487	-	-	-	-	-	-	125,704,487	1,040,626,411	-	1,040,626,411
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)</b>											
	P329,670,691	P-	P-	P-	P-	P-	P-	P329,670,691	P1,396,952,643	P-	P1,396,952,643

See accompanying Notes to Combined Financial Statements.



Year Ended December 31, 2012							
Peso Investment Funds							
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Strategic Resources Fund	Asia Emerging Fund	Total Peso Investment Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Net increase (decrease) in net assets attributable to unitholders resulting from operations	₱207,406,425	₱61,305,643	₱714,736,593	₱485,729,832	₱17,940,000	(₱42,052,752)	₱1,445,065,741
Adjustments for loss (gain) on increase/ decrease in value and sale of investments - net	(207,406,183)	(19,989,805)	(712,477,927)	(508,957,805)	(17,940,000)	42,052,752	(1,424,718,968)
Operating income (loss) before working capital changes	242	41,315,838	2,258,666	(23,227,973)	-	-	20,346,773
Decrease (increase) in investment income receivable	1,726,486	12,190,134	(5,498,733)	3,032,904	-	-	11,450,791
Increase (decrease) in accounts payable, accrued and other liabilities	(1,726,487)	(235,837)	16,506,236	7,304,155	-	-	21,848,067
Net cash from (used in) operating activities	241	53,270,135	13,266,169	(12,890,914)	-	-	53,645,631
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Net disposal (acquisition) of investments	90,808,108	361,388	(578,114,257)	(655,482,055)	-	(375,471,000)	(1,517,897,816)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Net contributions (withdrawals) to the funds	(90,808,108)	(82,653,529)	1,025,591,390	744,859,381	-	375,471,000	1,972,460,134
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>							
	241	(29,022,006)	460,743,302	76,486,412	-	-	508,207,949
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>							
	140,190	97,270,356	188,096,232	121,207,197	-	-	406,713,975
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)</b>							
	₱140,431	₱68,248,350	₱648,839,534	₱197,693,609	₱-	₱-	₱914,921,924

See accompanying Notes to Financial Statements.



Year Ended December 31, 2012

Dollar Investment Funds

	Fixed Income Fund	Greater China Fund	Strategic Energy Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Total Dollar Investment Funds	Total	Eliminating Entries	Combined
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Net increase (decrease) in net assets attributable to unitholders resulting from operations	₱44,341,927	₱7,225,641	₱13,098,824	(₱6,099,018)	(₱3,724,055)	₱54,843,319	₱1,499,909,060	(₱207,406,183)	₱ 1,292,502,877
Adjustments for loss (gain) on increase/ decrease in value and sale of investments - net	(23,905,014)	(7,225,641)	(13,098,824)	6,099,018	3,724,055	(34,406,406)	(1,459,125,374)	207,406,183	(1,251,719,191)
Operating income (loss) before working capital changes	20,436,913	-	-	-	-	20,436,913	40,783,686	-	40,783,686
Decrease (increase) in investment income receivable	(5,617,811)	-	-	-	-	(5,617,811)	5,832,980	-	5,832,980
Increase (decrease) in accounts payable, accrued and other liabilities	622,004	-	-	-	-	622,004	22,470,071	-	22,470,071
Net cash from (used in) operating activities	15,441,106	-	-	-	-	15,441,106	69,086,737	-	69,086,737
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
Net disposal (acquisition) of investments	(390,489,253)	-	-	(169,104,000)	(73,207,750)	(632,801,003)	(2,150,698,819)	(445,432,650)	(2,596,131,469)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Net contributions (withdrawals) to the funds	434,983,680	-	-	169,104,000	73,207,750	677,295,430	2,649,755,564	445,432,650	3,095,188,214
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>									
	59,935,533	-	-	-	-	59,935,533	568,143,482	-	568,143,482
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>									
	65,768,954	-	-	-	-	65,768,954	472,482,929	-	472,482,929
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)</b>									
	₱125,704,487	₱-	₱-	₱-	₱-	₱125,704,487	₱1,040,626,411	₱-	₱1,040,626,411

See accompanying Notes to Financial Statements.



## 1. INVESTMENT FUND INFORMATION

On February 14, 2005, the Insurance Commission (“IC”) approved the license of The Insular Life Assurance Co. Ltd. (the “Company”) to sell variable-unit linked (“VUL”) insurance contracts, a life insurance product that is linked to investment in Insular Life Wealth Series Funds (the “Separate Funds”). The Separate Funds of the Company consisted of Philippine Peso (“Peso”) Investment Funds (established and launched to the public on March 8, 2005) and United States Dollar (“Dollar”) Investment Funds (established and launched to the public on September 24, 2007). The Greater China Fund, Strategic Energy Fund, China Prime Fund Tranche 1 and China Prime Fund Tranche 2 which are dollar investment funds, were established and launched to the public in January 2010, October 2010, June 2012 and July 2012, respectively. The Growth Fund, Strategic Resources Fund and Asian Emerging Companies Peso Fund which are peso investment funds, were established and launched to public in February 2011, October 2011 and September 2012, respectively. The Asia Dynamic Fund and Asian Emerging Companies Dollar Fund were established and launched in February 2013 and May 2013, respectively.

Following are the investment objectives of the Separate Funds:

### Peso Investment Fund

#### **Balanced Fund**

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

#### **Fixed Income Fund**

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

#### **Equity Fund**

A fund that provides long-term total return and capital appreciation by investing primarily in dividend-paying shares of local companies with large capitalization and growth



potential and which are listed in the PSE. It also invests in short-term money market instruments.

### **Growth Fund**

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

### **Strategic Resources Fund**

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

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

### **Asia Emerging Fund**

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

This fund is fully invested in a 7-year, Peso-linked, USD-structured note issued by ING Bank N.V. on 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.

### **Dollar Investment Fund**

#### **Fixed Income Fund**

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





### **Greater China Fund**

A fund that was offered for a limited period from January to February 2010. The objective of this fund is to deliver competitive returns on USD-denominated variable life insurance by investing in a structured note linked to the growth markets of Greater China.

This fund is fully invested in a 5-year, USD-structured note issued by Citigroup Funding Inc. on February 22, 2010. 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 of Hong Kong, China and Taiwan as represented by the Tracker Fund of Hong Kong (2800 HK Equity), Hang Seng Investment Index Funds Series - H Share Index Exchange Traded Fund (2828 HK Equity) and MSCI Taiwan Index (TAMSCI), respectively.

### **Strategic Energy Fund**

A fund that was offered for a limited period from October to November 2010. The objective of this fund is to deliver competitive returns on USD-denominated variable life insurance by investing in a structured note linked to the credit of the Republic of the Philippines ("ROP") and to a basket of energy equity indices. This fund is fully invested in a 5-year,

USD-structured note issued by ING Bank N.V. on November 16, 2010. In the absence of a credit event by the ROP or the issuer, the structured note provides principal protection at maturity plus an upside potential. The upside potential of the note is derived through participation in the performance of global energy indices represented by Energy Select Sector (XLE US Equity) and Powershares Wilderhill Clean Energy Portfolio (PBW US).

### **China Prime Fund – Tranche 1**

A fund that was offered for a limited period in June 2012. The objective of this fund is to deliver competitive returns on USD-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, USD-structured note issued by Citigroup Funding Inc. on 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 underlying Tracker called China Target Volatility 10% Tracker.

### **China Prime Fund – Tranche 2**

A fund that was offered for a limited period in July 2012. The objective of this fund is to deliver competitive returns



on USD-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, USD-structured note issued by Citigroup Funding Inc. on 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 underlying Tracker called China Target Volatility 10% Tracker 2.

#### **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 US 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, USD-structured note issued by Standard Chartered Bank in March 2013. The structured note provides principal protection at maturity in the absence of credit event on the part of the Issuer or the Republic of the Philippines. It also 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 (the ARC-I Index).

#### **Asian Emerging Companies Fund**

This fund was offered for a limited period in May 2013. The objective of this fund is to deliver competitive returns on US 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, USD-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.

The Company entered into a Service Level Agreement with third-party multinational banks (the "Fund Administrators") accredited by the Bangko Sentral ng Pilipinas ("BSP"). Under this agreement, the Fund Administrators shall perform fund accounting and valuation services of the Separate Funds. Custodianship of Separate Funds' assets is also done by third-party multinational banks 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



Administrators, 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 Operating Officer of the Company on March 27, 2014.

## **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 Company's functional currency.

The combined financial statements include the financial statements of the 13 Separate Wealth Series Funds namely: Balanced Fund, Peso Fixed Income Fund, Equity Fund, Growth Fund, Strategic Resources Fund and Asian Emerging Companies Fund, which comprise the Peso Investment Funds; and Dollar Fixed Income Fund, Greater China Fund, Strategic Energy Fund, China Prime Fund Tranche 1, China Prime Fund Tranche 2, Asia Dynamic Equity Fund and Asian Emerging Companies Fund, which comprise the Dollar Investment Funds. Inter-fund investments are eliminated in full.

### **Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended PFRS which were adapted starting January 1, 2013.

PFRS 13, Fair Value Measurement, establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. As a result of the guidance in PFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs. PFRS 13 also requires additional disclosures.



As a result of the guidance PFRS 13, the Company re-assessed its policies for measuring fair values. The Company assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Separate Funds. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 8.

#### **Existing Standards Effective Subsequent to December 31, 2013**

The Separate Funds will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Separate Funds does not expect the adoption of these new changes in PFRS to have a significant impact on the combined financial statements. The relevant disclosures will be included in the notes to the combined financial statements when these become effective.

#### **Effective in 2014**

##### **▪ Investment Entities (Amendments to PFRS 10, PFRS 12, and PAS 27)**

These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of

an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

The Company currently assesses the impact of this standard to the combined financial statements of the Separate Funds.

##### **▪ PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)**

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as, central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Separate Funds’ financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

##### **▪ PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)** These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are



effective for annual periods beginning on or after January 1, 2014. The Company did not apply hedge accounting on the Separate Funds' combined financial statements.

### Effective in 2015

#### ▪ PFRS 13, Fair Value Measurement - Short-term Receivables and Payables

The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendments are effective for annual periods beginning on or after July 1, 2014. The amendment has no significant impact on the Separate Funds' financial position or performance

#### Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

#### ▪ PFRS 13, Fair Value Measurement - Portfolio Exception

The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

The amendment has no significant impact on the Separate Funds' financial position or performance.

### Effectivity not determined

#### ▪ PFRS 9, Financial Instruments

PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relates to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option ("FVO") is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in



OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Separate Funds' financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also

requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Separate Funds will not adopt the standard before the completion of the limited amendments and the second phase of the project.

#### **Fair Value Measurement**

The Company measures its financial assets at FVPL. 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 by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants



would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

For assets and liabilities that are recognized in the combined financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels

in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

At each reporting date, the management analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability, and the level of the fair value hierarchy as explained above.

### Financial Instruments

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



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

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

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

#### **Financial Assets at FVPL**

Financial assets at FVPL include financial assets held-for-trading purposes or designated by management as financial asset at FVPL at initial recognition. Derivative instruments, except those covered by hedge accounting relationships, are classified under this category. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term.

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

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

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





As of December 31, 2013 and 2012, the Separate Funds' financial assets at FVPL consist of debt securities, equity securities and inter-fund investments which are eliminated in full in the combined statements of financial position.

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

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

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets, which comprise of cash and cash equivalents, subscriptions receivable, investment income receivable, and other receivables. After initial measurement, such assets are subsequently measured at amortised cost using effective interest rate method less any allowance for impairment.

The effective interest rate amortization and loss arising from impairment, if any, are recognized in the combined statements of comprehensive income.

#### **Derecognition of Financial Assets**

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

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

Where the Separate Funds have transferred its rights to receive cash flows from a financial asset and have neither transferred nor retained substantially all the risks and rewards of the asset



nor transferred control of the financial asset, the financial asset is recognized to the extent of the Separate Funds' continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Separate Funds could be required to repay.

### **Impairment of Financial Assets**

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

### *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively, for financial assets that are not individually significant.

If the Company determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized are not included in a collective assessment of impairment.

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



The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the combined statements of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Separate Funds. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the combined statements of comprehensive income.

### **Cash and Cash Equivalents**

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

### **Revenue Recognition**

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

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

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

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



### **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 combined 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 combined statements of comprehensive income when incurred.

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

### **Foreign Currency Denominated Transactions**

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the IC exchange rate. Foreign exchange gains or losses are taken to the combined statements of comprehensive income.



### 3. CASH AND CASH EQUIVALENTS

2013						
	Peso Investment Funds				Dollar Investment Fund	
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Fixed Income Fund	Combined
Cash in banks	₱140,468	₱1,397,473	₱2,140,474	₱1,603,537	₱329,670,691	₱334,952,643
Cash equivalents	–	226,000,000	320,000,000	516,000,000	–	1,062,000,000
	₱140,468	₱227,397,473	₱322,140,474	₱517,603,537	₱329,670,691	₱1,396,952,643

2012						
	Peso Investment Funds				Dollar Investment Fund	
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Fixed Income Fund	Combined
Cash in banks	₱140,431	₱248,350	₱339,534	₱293,609	₱125,704,487	₱126,726,411
Cash equivalents	–	68,000,000	648,500,000	197,400,000	–	913,900,000
	₱140,431	₱68,248,350	₱648,839,534	₱197,693,609	₱125,704,487	₱1,040,626,411

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.



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

##### Investments in Debt Securities

	2013		
	Peso Investment Funds	Dollar Investment Funds	Combined
Acquisition cost	₱1,726,399,052	₱2,839,644,255	₱4,566,043,307
Decrease in value of investments	(38,210,903)	(150,155,257)	(188,366,160)
Fair value	₱1,688,188,149	₱2,689,488,998	₱4,377,677,147

	2012		
	Peso Investment Funds	Dollar Investment Funds	Combined
Acquisition cost	₱1,606,095,305	₱1,950,402,316	₱3,556,497,621
Increase (decrease) in value of investments	(426,946)	51,687,988	51,261,042
Fair value	₱1,605,668,359	₱2,002,090,304	₱3,607,758,663

Investments in debt securities include bonds, term loans, and structured notes.



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

	2013		
	Peso Investment Funds	Dollar Investment Funds	Combined
Due after one year through five years	₱701,469,073	₱1,244,147,842	₱1,945,616,915
Due after five years	986,719,076	1,445,341,156	2,432,060,232
	<b>₱1,688,188,149</b>	<b>₱2,689,488,998</b>	<b>₱4,377,677,147</b>

	2012		
	Peso Investment Funds	Dollar Investment Funds	Combined
Due after one year through five years	₱794,744,760	₱1,052,597,939	₱1,847,342,699
Due after five years	810,923,599	949,492,365	1,760,415,964
	<b>₱1,605,668,359</b>	<b>₱2,002,090,304</b>	<b>₱3,607,758,663</b>



## Investments in Equity Securities

	2013	2012
Acquisition cost	<b>₱5,813,329,136</b>	₱2,926,187,422
Increase in value of investments	<b>721,985,780</b>	1,232,792,628
Fair value	<b>₱6,535,314,916</b>	₱4,158,980,050





**5. RECEIVABLES**

	2013				
	Peso Investment Funds			Dollar Investment Fund	Combined
	Fixed Income Fund	Equity Fund	Growth Fund	Fixed Income Fund	
<b>Investment income receivables:</b>					
Accrued interest	₱10,330,555	₱8,533	₱13,760	₱17,858,064	₱28,210,912
Accrued dividends	–	1,754,082	1,045,572	–	2,799,654
	<u>10,330,555</u>	<u>1,762,615</u>	<u>1,059,332</u>	<u>17,858,064</u>	<u>31,010,566</u>
Subscriptions receivable	678,108	5,269,838	19,397,910	–	25,345,856
Other receivables	–	4,516,130	3,886,808	8,051	8,410,989
	<u>₱11,008,663</u>	<u>₱11,548,583</u>	<u>₱24,344,050</u>	<u>₱17,866,115</u>	<u>₱64,767,411</u>

	2012				
	Peso Investment Funds			Dollar Investment Fund	Combined
	Fixed Income Fund	Equity Fund	Growth Fund	Fixed Income Fund	
<b>Investment income receivables:</b>					
Accrued interest	₱11,603,441	₱21,617	₱6,580	₱13,803,036	₱25,434,674
Accrued dividends	–	2,081,197	362,450	–	2,443,647
	<u>11,603,441</u>	<u>2,102,814</u>	<u>369,030</u>	<u>13,803,036</u>	<u>27,878,321</u>
Other receivables	8,668	13,349,762	1,149,567	7,466	14,515,463
	<u>₱11,612,109</u>	<u>₱15,452,576</u>	<u>₱1,518,597</u>	<u>₱13,810,502</u>	<u>₱42,393,784</u>



- Accrued interest receivable pertains to interest earned on investments in debt securities but not yet credited to the Separate Funds as of reporting date. Interest rates for such investments range from 5.5% to 10.625% in 2013 and 2012.
- Accrued dividend receivable are non-interest bearing and pertains to dividends earned on investment in equity securities but not yet received by the Separate Funds.
- Subscription receivable pertains to value of units subscribed but not yet received as at reporting date.
- Other receivable includes due from Fund Manager and outstanding sales as at reporting period.





## 7. FEES

### A) Management fees

Pursuant to the investment management agreement, the Fund Manager is entitled to receive from the Separate Funds an investment management fee equal to 1.5% per annum of the net asset value before deduction of the administration, custody, and investment management fee, of the Peso Fixed Income Fund and Dollar Fixed Income Fund and 2.0% per annum of the net asset value before deduction of investment management fee, of the Growth Fund and the Equity Fund. The other remaining funds are passively managed. Due to this, no investment management fee was incurred in 2013 and 2012 related to these funds.

Investment management fees expense amounted to ₱188,399,192 and ₱113,612,176 in 2013 and 2012, respectively. Investment management fees payable outstanding as of December 31, 2013 and 2012 amounted to ₱16,278,171 and ₱14,162,696, respectively.

### B) Administration fees

Pursuant to the Service Level Agreement, one Fund Administrator is entitled to receive administration fee payable monthly in arrears and calculated at 5.5 basis points per annum in 2013 and between 3.0 to 5.0 basis points per annum in 2012 based on the net asset

value before deduction of the administration, custody, and investment management fees. Funds without administration fee incurred in 2013 and 2012 are passively administered.

Administration fees expense amounted to ₱4,853,612 and ₱2,749,084 in 2013 and 2012, respectively. Administration fees payable outstanding as of December 31, 2013 and 2012 amounted to ₱1,044,500 and ₱275,580, respectively.

### C) Custody fees

Pursuant to the Service Level Agreement, one Fund Custodian is entitled to receive between 2.0 to 3.0 basis points per annum based on the total portfolio asset value of the Separate Funds. Structured notes are held at the custody of the Company and as such there was no custody fee expense incurred for all structured notes in 2013 and 2012.

Custody fees expense amounted to ₱1,674,944 and ₱1,303,780 in 2013 and 2012, respectively. Balance of custody fees payable amounted to ₱278,223 and ₱126,970 as of December 31, 2013 and 2012, respectively.



## 8. FINANCIAL INSTRUMENTS

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

	2013				
	Peso Investment Funds		Dollar Investment Funds		Total
	Fair Value through profit or loss	Loans and receivables	Fair Value through profit or loss	Loans and receivables	
<i>Financial assets</i>					
<b>Traditional VULs:</b>					
Cash and cash equivalents	₱-	₱1,067,281,952	₱-	₱329,670,691	₱1,396,952,643
Equity securities - quoted	6,535,314,916	-	-	-	6,535,314,916
Debt securities - quoted fixed interest rates	1,065,598,621	-	931,512,881	-	1,997,111,502
Subscriptions receivable	-	25,345,856	-	-	25,345,856
Investment income receivable	-	13,152,502	-	17,858,064	31,010,566
Other receivables	-	8,402,938	-	8,051	8,410,989
<b>Structured VULs</b>	622,589,528	-	1,757,976,117	-	2,380,565,645
	<b>₱8,223,503,065</b>	<b>₱1,114,183,248</b>	<b>₱2,689,488,998</b>	<b>₱347,536,806</b>	<b>₱12,374,712,117</b>

(Forward)



2013				
	Peso Investment Funds		Dollar Investment Funds	
	Other financial liabilities		Other financial liabilities	
			Total	
<i>Financial liabilities</i>				
Accounts payable	P-		P1,602,534	P1,602,534
Accrued and other liabilities *	16,067,471		1,893,883	17,961,354
	<b>P16,067,471</b>		<b>P3,496,417</b>	<b>P19,563,888</b>

\*Excluding taxes payable

2012					
	Peso Investment Funds		Dollar Investment Funds		Total
	Fair Value through profit or loss	Loans and receivables	Fair Value through profit or loss	Loans and receivables	
<i>Financial assets</i>					
Traditional VULs:					
Cash and cash equivalents	P-	P914,921,924	P-	P125,704,487	P1,040,626,411
Equity securities - quoted	4,158,980,050	-	-	-	4,158,980,050
Debt securities - quoted fixed interest rates	949,557,611	-	826,871,167	-	1,776,428,778
Investment income receivable	-	14,075,285	-	13,803,036	27,878,321
Other receivables	-	14,507,997	-	7,466	14,515,463
Structured VULs	656,110,748	-	1,175,219,137	-	1,831,329,885
	<b>P5,764,648,409</b>	<b>P943,505,206</b>	<b>P2,002,090,304</b>	<b>P139,514,989</b>	<b>P8,849,758,908</b>

	Other financial liabilities		Other financial liabilities		Total
<i>Financial liabilities</i>					
Accounts payable	P32,126,788		P-		P32,126,788
Accrued and other liabilities *	13,491,724		1,423,128		14,914,852
	<b>P45,618,512</b>		<b>P1,423,128</b>		<b>P47,041,640</b>

\*Excluding taxes payable



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

The following table presents the fair value hierarchy of the financial assets at FVPL as at December 31, 2013 and 2012:

	2013			Total
	Level 1	Level 2	Level 3	
<b>Equity securities</b>	<b>₱6,535,314,916</b>	<b>₱-</b>	<b>₱-</b>	<b>₱6,535,314,916</b>
<b>Debt securities:</b>				
Traditional VULs:				
Local currency	1,065,598,621	-	-	1,065,598,621
Foreign currency	931,512,881	-	-	931,512,881
Structured VULs:				
Local currency	-	-	622,589,528	622,589,528
Foreign currency	-	-	1,757,976,117	1,757,976,117
	<b>₱8,532,426,418</b>	<b>₱-</b>	<b>₱2,380,565,645</b>	<b>₱10,912,992,063</b>
	2012			Total
	Level 1	Level 2	Level 3	
Equity securities	₱4,158,980,050	₱-	₱-	₱4,158,980,050
Debt securities:				
Traditional VULs::				
Local currency	949,557,611	-	-	949,557,611
Foreign currency	826,871,167	-	-	826,871,167
Structured VULs:				
Local currency	-	-	656,110,748	656,110,748
Foreign currency	-	-	1,175,219,137	1,175,219,137
	<b>₱5,935,408,828</b>	<b>₱-</b>	<b>₱1,831,329,885</b>	<b>₱7,766,738,713</b>



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

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

	<b>2013</b>	2012
<b>Peso</b>		
Beginning balance	<b>₱656,110,748</b>	₱304,752,500
Additions	–	375,471,000
Fair value gain (loss)	<b>(33,521,220)</b>	(24,112,752)
Ending balance	<b>622,589,528</b>	656,110,748
<b>USD</b>		
Beginning balance	<b>1,175,219,137</b>	922,405,995
Additions	<b>471,197,009</b>	242,311,750
Fair value gain (loss)	<b>111,559,971</b>	10,501,392
Ending balance	<b>1,757,976,117</b>	1,175,219,137
<b>Total Level 3 financial assets</b>	<b>₱2,380,565,645</b>	₱1,831,329,885

There were no transfers within different levels of the fair value hierarchy in 2013 and 2012. The structured notes can be decomposed into bond components and option components. Fair value of structured notes has been computed by counterparties using present value calculations and option pricing models as applicable. The valuation requires management to make certain assumptions about the model inputs particularly the credit spread of the issuer. The model also used certain market observable inputs including credit default swap (CDS) of the Republic of the Philippines, USD interest rate swap rates (IRS) (for the USD denominated issuances) and USD/PHP cross currency swap rates (for the PHP denominated issuances). The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of the fair value of structured notes.





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

	<b>Significant observable input other than quoted prices included within Level 1</b>	<b>Range level at yearend</b>	<b>Sensitivity of the input to fair value</b>
<b>2013</b>	<b>ROP CDS level (2yrs-10yrs)</b>	<b>42-177 basis points</b>	<b>50 basis points increase (decrease) in ROP CDS would result in the decrease (increase) in market value of the note by ₱31,754,221.</b>
	<b>USD IRS (1yr- 10 yrs)</b>	<b>50-300 basis points</b>	<b>50 basis points increase (decrease) in USD IRS would result in the decrease (increase) in market value of the note by ₱40,860,979.</b>
	<b>PHP IRS (3yrs- 6yrs)</b>	<b>235-335 basis points</b>	<b>50 basis points increase (decrease) in PHP IRS would result in the decrease (increase) in market value of the note by ₱16,273,177.</b>



	Significant observable input other than quoted prices included within Level 1	Range level at yearend	Sensitivity of the input to fair value
2012	ROP CDS level (3 yrs)	50 basis points	50 basis points increase (decrease) in ROP CDS would result in the decrease (increase) in market value of the note by ₱9,903,587.
	USD IRS (3yr-7 yrs)	50-130 basis points	50 basis points increase (decrease) in USD IRS would result in the decrease (increase) in market value of the note by ₱21,059,772.
	PHP IRS (4yrs-7yrs)	142-182 basis points	50 basis points increase (decrease) in PHP IRS would result in the decrease (increase) in market value of the note by ₱18,509,120.



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

### Peso Denominated Notes

	<b>Significant unobservable input</b>	<b>Range level at yearend</b>	<b>Sensitivity of the input to fair value</b>
<b>2013</b>	<b>Bank CDS level (3-6 years)</b>	<b>43-97 basis points</b>	<b>A 50 basis points increase (decrease) in CDS would result in the decrease (increase) in fair value of the note by ₱16,273,177.</b>
2012	Bank CDS level (4-7 years)	93-119 basis points	A 50 basis points increase (decrease) in CDS would result in the decrease (increase) in fair value of the note by ₱18,509,120.

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



## Dollar Denominated Notes

	Significant unobservable input	Range level at yearend	Sensitivity of the input to fair value
2013	Bank CDS level (1-6 years)	25-123 basis points	A 50 basis points increase (decrease) in CDS would result in the decrease (increase) in fair value of the note by <b>₱19,616,283</b> .
	Bank CDS level (10 years)	126 basis points	A 50 basis points increase (decrease) in CDS would result in the decrease (increase) in fair value of the note by <b>₱21,244,697</b> .
2012	Bank CDS level (4-7 years)	67-145 basis points	A 50 basis points increase (decrease) in CDS would result in the decrease (increase) in fair value of the note by <b>₱21,059,772</b> .

*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 closes available CDS maturity of the counterparty matched to the remaining maturity of the structured notes. Further, the Bank CDS, is a proxy for the funding cost of the counterparty which is considered as a significant unobservable input. The estimates are based on assumptions that if altered can change the analysis expressed herein. This shall not constitute a representation or warranty as to future performance of the structured notes. Further, past performance is not indicative of future results.



## 9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

### **Credit risk**

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

As of December 31, 2013 and 2012, all of the Separate Funds' financial assets are neither past due nor impaired.

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

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

As of December 31, 2013 and 2012, all of the Separate Funds' financial assets fall under investment grade category.

### **Risk concentrations of the maximum exposure to credit risk**

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

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

	<b>2013</b>	2012
Financial institutions	<b>69 %</b>	66%
Government	<b>24%</b>	19%
Electricity, energy, power and water	<b>4%</b>	8%
Others	<b>3%</b>	7%
<b>Total</b>	<b>100%</b>	100%



### ***Liquidity risk***

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation or inability to generate cash inflows as anticipated. The Separate Funds manages liquidity through a group liquidity risk policy which determines what constitutes liquidity risk for the Separate Funds; specifies minimum proportion of funds to meet emergency calls; sets up of contingency funding plans; specifies the sources of funding and the events that would trigger the plan; determines concentration of funding sources; reports of liquidity risk exposures and breaches to the monitoring authority.

As of December 31, 2013 and 2012, the Separate Funds' other financial liabilities excluding taxes payable amounting to ₱19,563,888 and ₱47,041,640, respectively, have maturities of less than one year. The Separate Funds has cash amounting to ₱ 1,396,952,643 and ₱ 1,040,626,411 as of December 31, 2013 and 2012, respectively, which are due on demand that can be used to settle financial liabilities.

### ***Equity price risk***

The Separate Funds' equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.



The Separate Funds is exposed to equity securities price risk because of investments held under Equity Fund and Growth Fund, which are classified on the combined statements of financial position as financial assets at FVPL.

	2013		2012
Change in Quoted Prices of Investments Carried at Fair Value	Effect on Net Asset Value Attributable to Unitholders	Change in Quoted Prices of Investments Carried at Fair Value	Effect on Net Asset Value Attributable to Unitholders
50 basis points rise	₱31,098,010	50 basis points rise	₱20,794,900
50 basis points fall	(31,098,010)	50 basis points fall	(20,794,900)

***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:

	<b>2013</b>	2012
Holding Firms	<b>30%</b>	29%
Electricity, energy, power and water	<b>22%</b>	29%
Food, beverage and tobacco	<b>11%</b>	9%
Banks	<b>9%</b>	9%
Property	<b>9%</b>	10%
Transportation services	<b>5%</b>	4%
Telecommunications	<b>4%</b>	4%
Others	<b>10%</b>	6%
<b>Total</b>	<b>100%</b>	100%



***Fair value interest rate risk***

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

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

	2013		2012	
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	(P18,617,548)	25 basis points rise	(P28,446,385)	
25 basis points fall	20,844,438	25 basis points fall	29,860,878	



### 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:

	2013		2012	
	United States Dollar Value	Peso Equivalent	United States Dollar Value	Peso Equivalent
<b>Assets</b>				
Traditional VULs:				
Cash and cash equivalents	US\$7,422,675	₱329,670,691	US\$3,051,672	₱125,704,487
Debt securities	20,973,407	931,512,881	20,073,586	826,871,167
Investment income receivable	402,082	17,858,064	335,090	13,803,036
Other receivables	181	8,051	181	7,466
Structured VULs	39,581,576	1,757,976,117	28,530,276	1,175,219,137
	<b>US\$68,379,921</b>	<b>₱3,037,025,804</b>	<b>US\$51,990,805</b>	<b>₱2,141,605,293</b>

	2013		2012	
	United States Dollar Value	Peso Equivalent	United States Dollar Value	Peso Equivalent
<b>Liability</b>				
Accounts payable	US\$36,081	₱1,602,534	US\$-	₱-
Accrued and other liabilities	42,641	1,893,883	34,566	1,423,128
	<b>US\$78,722</b>	<b>₱3,496,417</b>	<b>US\$34,566</b>	<b>₱1,423,128</b>



The foregoing USD amounts have been restated to their Peso equivalents using the exchange rate of ₱44.414 and ₱41.192 to US\$1, as recommended by IC, as of December 31, 2013 and 2012, 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:

2013		2012	
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
<b>Peso appreciation of 1.22%</b>	<b>₱38,470,102</b>	Peso appreciation of 1.22%	₱26,486,303
<b>Peso depreciation of 1.22%</b>	<b>(38,470,102)</b>	Peso depreciation of 1.22%	(26,486,303)



## Wealth Series Products

### Wealth Builder

Wealth Builder is a one-time payment investment product that is available in both Peso and US dollar denomination. It is a variable unit-linked product that gives you the option to choose the type of investment you want to place your money in depending on your target rate of return or risk appetite. Regardless of the investment vehicle chosen, there is life insurance benefit equal to 125% of the initial premium and top-up premiums, less withdrawals, or the value of the fund, whichever is higher. This product allows for additional funds or “top-ups” anytime as long as the plan in-force.

### Variable Returns Asset

Variable Returns Asset is an investment-linked life insurance product that allows you to optimize your returns. It is available in both Peso and US Dollar denomination. It has no initial charges, letting your funds grow to its full potential. A diverse portfolio of assets to invest in enables you to optimize your returns putting you one step ahead of the rest in securing the lifestyle you dream of. Insurance coverage is also embedded in the plan. Additional funds in the form of “top-ups” may be put in as long as the policy is in-force.

### Wealth Secure

Wealth Secure is the protection product that allows you to get the protection you desire and the returns that you aim for. The investment linked insurance policy provides minimum death benefit equal to five times the regular annual premium and allots a portion of it to an investment vehicle of your choice, depending on your appetite for risk. This plan is a regular-pay product, making it an affordable insurance and investment program. An education variant of Wealth Secure is also available.

### Wealth Assure

Wealth Assure is a peso denominated investment-linked product where regular premium payments are required to enjoy the benefits of lifetime protection and competitive investment yields. Its lower initial charges allow for a bigger portion of your insurance premiums to be placed in an investment fund that will give you the opportunity to grow your money. A higher fund value is to your favor because the life insurance coverage of this product is equal to the sum insured plus the fund value. Wealth Assure also has a variant fit for ensuring availability of funds for child’s education.



# INSULAR CORPORATE LIFE CENTRE

## COMPANY PROFILE

At **Insular Life**, we apply over a hundred years of experience in financial protection, savings and investments to help you make confident decisions for you and your loved ones. We recognize that financial priorities change over time — that is why we are here to help you plan ahead, through every step of the way.

As an Insular Life customer, you have the confidence of being protected by a company with a consolidated asset base of ₱94.8 billion, revenues of ₱19.3 billion, net income of ₱2.4 billion and total business-in-force of ₱213.9 billion as of yearend 2013.

We remain committed to serving the Filipino, as we spread the benefits of life insurance to every family. Thus, as you look ahead, be assured that Insular Life will guide you, as you advance from one life stage to the next.



**Insular**  
Life

**The Insular Life Assurance Company, Ltd.**

Insular Life Corporate Centre, Insular Life Drive, Filinvest Corporate City, Alabang, 1781 Muntinlupa City  
E-mail: [headofc@insular.com.ph](mailto:headofc@insular.com.ph) • Website: [www.insularlife.com.ph](http://www.insularlife.com.ph) • Tel.: (632) 582-1818 • Fax: (632) 771-1717