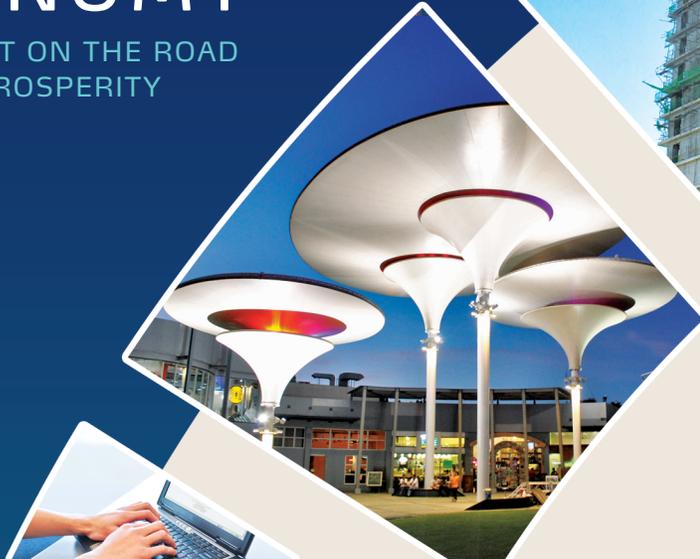




PHILIPPINE ECONOMY

STEADFAST ON THE ROAD
OF PROSPERITY



2014
WEALTH SERIES REPORT
TO POLICYHOLDERS



PHILIPPINE ECONOMY: Steadfast on the Road of Prosperity

The Philippines continues to be one of the most dynamic and progressive emerging markets in Asia. The country garnered two international credit rating upgrades in 2014, securing Standard & Poor's BBB- with a stable outlook from BBB- and Moody's Baa2 with a stable outlook from Baa3.

Supported by strong macroeconomic fundamentals and six years of strong stock performance, the Philippine financial market is a picture of stability and consistent growth, best described in this year's annual report. The cover depicts the industries that contribute to our country's road to prosperity. The thriving *outsourcing and call center businesses* reflect the income source that supports the economy; *the solar streetlight panels* in Centris station represent innovation and alternative energy; *construction* exemplifies the investment confidence from both the private and public sectors; and *gas/coal exploration* illustrates investments made on sustainable power.

The Philippines is now looked upon by its ASEAN peers as one of the fastest growing markets, as it remains to be in the spotlight for economic stability, market resiliency and strong stock performance.

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Dear Valued Policyholder,

The Philippine economy sustained its winning momentum in 2014, buoyed by its strong macroeconomic fundamentals and broad-based advances across all economic sectors. Indeed, the country posted an annual Gross Domestic Product growth of 6.1 percent, fueled by gains in the Industry sector in the fourth quarter of the year, as well as contributions from the Services sector. Our country's robust GDP also placed us among the fastest growing economies in the whole of Asia.

We further reaped the benefits of a dynamic and stable economy, coupled with decreasing debt burdens, when our country received two credit upgrades in

2014 from international credit rating agencies - Standard & Poor's, and Moody's.

Therefore, amidst this background of positivity, I am very happy to inform you that the Wealth Series Funds showed remarkable growth in 2014. Among the WS Funds, the Growth Fund delivered the best performance as of yearend, posting gains of 25.4 percent. The details of all of the funds' performance are in the succeeding pages, which you can review at length.

Prospectively, we are confident that the Philippine economy's resiliency will buffer us from the worst of the headwinds resulting from the challenges faced by key markets abroad, particularly the U.S. and Europe. For our part, your Insular Life fund managers are committed to giving you the best of their expertise, while maintaining a prudent approach in managing your funds in order to deliver to you the best yields.

On behalf of the company, I would like to thank you for choosing Insular Life as 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 managed to post a decent gain of 1.75% net in 2014, amid a volatile bond market due to growing concerns that interest rate will increase given rising inflation. Return of your Fund stood as one of the highest in the industry as fixed income funds in 2014 registered performances ranging from negative to positive 2%. The Fund ended 2014 with a Net Asset Value Per Unit (NAVPU) of Php1.868176 and continues to invest in a mix of government and corporate bonds, corporate term loans and short-term securities.

MARKET REVIEW

At the start of 2014, the local bond market showed positive momentum given encouraging macroeconomic fundamentals and flush liquidity. Fitch affirmed Philippines' rating at BBB- with Stable outlook citing economic growth underpinned by a steady inflow of OFW remittance, the expansion of the business process outsourcing (BPO) industry and low interest rates. Likewise, S&P surprised the market with a one notch upgrade for Philippine sovereign credit to BBB with stable outlook early in May. However, the likely effect of a credit upgrade was muted as inflation concerns remained and Bangko Sentral ng Pilipinas (BSP) continued to express a hawkish stance on monetary policy. Many investors were seen positioning in the short-end part of the curve and reducing long-duration exposures in anticipation of potential increase in interest rates.

During its June Monetary Board meeting, the Philippine Central Bank raised the rate on Special Deposit Account or SDAs to 2.25%. The market took the BSP move as the start of a rate tightening cycle and that similar moves can be expected in the coming months. Indeed, for the first time since May 2011, BSP raised overnight borrowing rate to 3.75% from a record-low of 3.5% as a preemptive measure to arrest any possible second-round effects of rising inflation. July inflation accelerated to 4.9% yoy, the highest since October 2011 and thus prompted the BSP to hike overnight policy rate by another 25 basis points to 4.0% and likewise raised SDA rate to 2.50%. Local bond players remained cautious with bias to sell on any market rally as BSP's rhetoric continue to be hawkish and focused on managing inflation.

Renewed interest in the local bond market was seen after September inflation eased to 4.4% yoy and further decreased to 3.7% yoy in November. The local bond curve continued to flatten, with the long-dated securities outperforming given expectations of moderating inflation in the 4th quarter from declining oil and food prices thereby reinforcing the view that BSP will keep policy rates on hold.

OUTLOOK

Barring any external risk or a surprise rate hike by the US Fed, we still see much support for local bond rates to remain low at the back of moderating inflation, flush liquidity, sound economic fundamentals and a likely shift in monetary policy direction that is more anchored on growth.



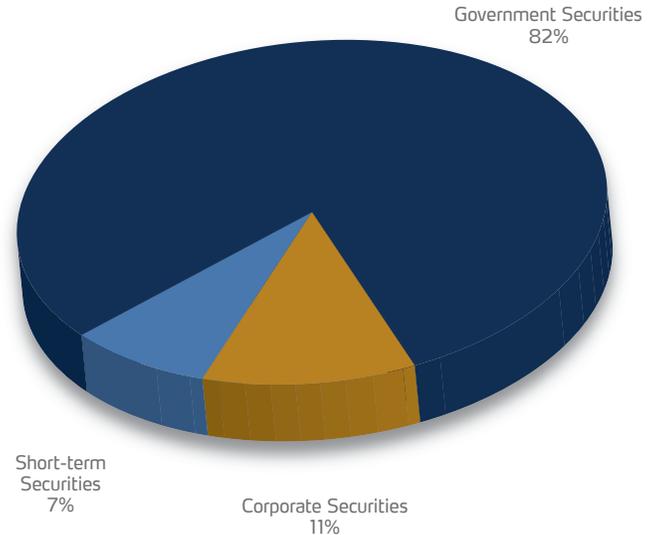
TOP HOLDINGS

GOVERNMENT SECURITIES:

- Philippine Government Bond due 30 Sept 2035
- Philippine Government Bond due 25 April 2016
- Philippine Government Bond due 20 Aug 2024
- Philippine Government Retail Treasury Bond due 15 Aug 2023
- Philippine Government Bond due 22 Nov 2019

FIXED INCOME FUND

Fund Distribution by Market Value



EQUITY FUND

FUND PERFORMANCE

The Equity Fund ended 2014 with a NAVPU of Php4.727986, 25.2% higher than the previous year. The Fund outperformed the Philippine Stock Exchange Index (PSEi), which gained 22.8% during the year. Volatility of the Fund was also lower at 10.4%, compared to PSEi's 12.2%. (Note: The volatility was based on the annualized standard deviation of daily returns of the portfolio and the PSEi).

The Fund is still invested across all sectors of the market, with bias on the power sector and conglomerates. Cash position of the Fund was maintained at an optimal level of 10% to accommodate expected withdrawals of policyholders due to profit taking.

MARKET REVIEW

After a modest finish in 2013, PSEi opened 2014 with a bang as it rallied by 14% to close April above 6,700. The index continued its run to breach the 7,000 level following another credit rating

upgrade from S&P, and Moody's reaffirming the investment grade rating of the Philippines. Uncertainties brought by economic woes abroad were not enough to weaken the local equities market, which registered a number of record highs before settling at 7,230.57 to end the year. Net foreign buying for the year was Php55.7 billion, a testament that foreign funds continue to value the economic growth story of the country.

OUTLOOK

2015 outlook for the equities market remains bullish as the Philippine economy remains fundamentally sound. Some degree of risk aversion may be apparent towards the second-half of 2015 however, especially as the election year approaches. This should temper PSEi's momentum as it aims for its 7th straight year of gains since the global financial crisis in 2008.

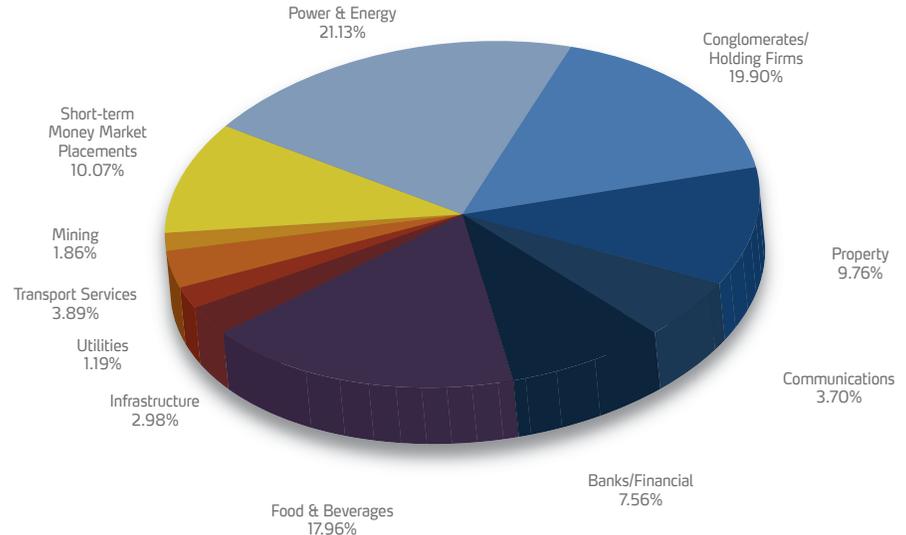


EQUITY FUND STOCK LIST

AC	AYALA CORPORATION
AEV	ABOITIZ EQUITY VENTURES
AGI	ALLIANCE GLOBAL INC.
ALI	AYALA LAND INC.
AP	ABOITIZ POWER CORPORATION
BDO	BANCO DE ORO UNIVERSAL BANK
BPI	BANK OF THE PHILIPPINE ISLANDS
DMC	DMCI HOLDINGS, INC.
DNL	D AND L INDUSTRIES, INC.
EDC	ENERGY DEVELOPMENT CORPORATION
EEL	EEL 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.
RCB	RIZAL COMMERCIAL BANKING CORP.
RLC	ROBINSONS LAND CORPORATION
RRHI	ROBINSONS RETAIL HOLDINGS, INC.
SCC	SEMIRARA MINING CORPORATION
SECB	SECURITY BANK CORPORATION
SM	SM INVESTMENTS CORP.
SMC	SAN MIGUEL CORPORATION
SMPH	SM PRIME HOLDINGS, INC.
TEL	PHILIPPINE LONG DISTANCE TELEPHONE CO.
URC	UNIVERSAL ROBINA CORPORATION

EQUITY FUND

Fund Distribution by Market Value



GROWTH FUND

FUND PERFORMANCE

The Growth Fund NAVPU reached Php1.769319 in 2014, 25.5% higher than the previous year. The Fund outperformed the 22.8% gain of the Philippine Stock Exchange Index (PSEi) due to the robust performance of the consumer and power sectors which the Fund is heavily invested. Volatility was also lower at 10.1%, compared to PSEi's 12.2%. (Note: The volatility was based on the annualized standard deviation of daily returns of the portfolio and the PSEi).

The Fund remained biased with companies exposed in consumer, power, and banking sectors, all of which were believed to outperform the market during the period. Cash position of the Fund was 12% due to influx of new money from new policyholders.

MARKET REVIEW

Consumer, power, and property sectors were the theme for the year as rising income continues to strengthen purchasing power of households, power companies expanding capacities to meet looming supply shortage, and valuation of properties benefitting from the low interest rate environment. The country's robust economy propelled PSEi to record historic highs while breaching the 7,000 mark for the first time. We also saw crude oil prices plunging during the latter part of the year which was a welcome event for a net oil importing economy like the Philippines. The index ended the year at 7,230.57.

OUTLOOK

The local equities market remains attractive despite being one of the most expensive markets in the region. Similar to the previous year, consumer, power, and property stocks are expected to drive the index in 2015. Investor sentiment is still positive but a market correction may be inevitable as investors take advantage of profit-taking opportunities brought by the recent rally.

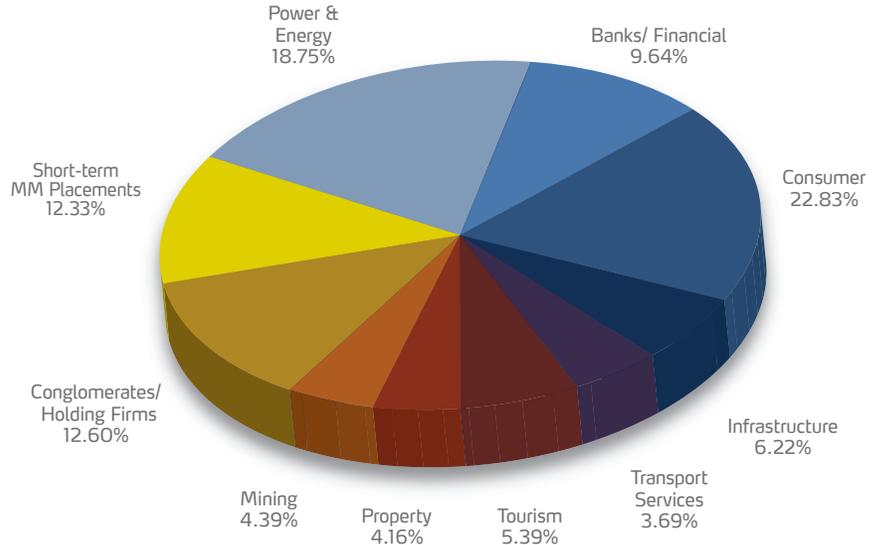


GROWTH FUND STOCK LIST

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.
DMPL	DEL MONTE PACIFIC LTD.
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
MEG	MEGAWORLD CORPORATION
MPI	METRO PACIFIC INVESTMENTS
MWIDE	MEGAWIDE CONSTRUCTION CORP.
NIKL	NICKEL ASIA CORP.
PBB	PHILIPPINE BUSINESS BANK
PCOR	PETRON CORPORATION
PGOLD	PUREGOLD PRICE CLUB, INC.
PIP	PEPSI-COLA PRODUCTS PHILIPPINES, INC.
PX	PHILEX MINING
RCB	RIZAL COMMERCIAL BANKING CORP.
RLC	ROBINSONS LAND CORPORATION
RRHI	ROBINSONS RETAIL HOLDINGS, INC.
RWM	TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.
SCC	SEMIRARA MINING CORPORATION
SECB	SECURITY BANK CORPORATION
SM	SM INVESTMENTS CORP.
SMC	SAN MIGUEL CORPORATION
SMPH	SM PRIME CORPORATION
TA	TRANS-ASIA OIL AND ENERGY DEV'T CORP.
URC	UNIVERSAL ROBINA CORPORATION

GROWTH FUND

Fund Distribution by Market Value





BALANCED FUND

FUND PERFORMANCE

For the year ended 2014, the Balanced Fund posted a NAVPU of P2.923066, registering growth of 14.1% compared to the previous year. The diversified portfolio of the balanced fund is comprised of investments allocated to the Equity Fund of 58% and in the Fixed-Income Fund of 42%. This strategic mix allows the Balanced Fund to enjoy higher yields from select value stocks in the Equity Fund and at the same time maintain moderate yields from less volatile bonds and corporate term loans in the Fixed-Income Fund.

MARKET REVIEW

The year 2014 had a stellar start buoyed by bullish market sentiment with the Philippines having a stronger economic position owing to the overall improved performance of various sectors of the economy. This renewed confidence in the local market was recognized by foreign investors and credit rating agencies alike through the various credit rating upgrades and affirmation of the investment grade status of the country during the year. The healthy economic performance was on the back of a combination of several factors particularly steady inflow of OFW remittances, expansion of the business process outsourcing (BPO) industry and

low interest rates.

Given the positive economic backdrop, the stock market's performance greatly benefited, most notably in the power, property and consumer sectors, despite lingering global issues, which were not enough to hinder the rally. In the bond market, investors watched closely the actions of the BSP and its cues on potential interest rate movements. The regulator's hawkish stance on monetary policy was supported by the subsequent interest rates hikes, as a measure to address the effects of rising inflation. Renewed interest in the bond market once again returned as inflation eased towards year-end.

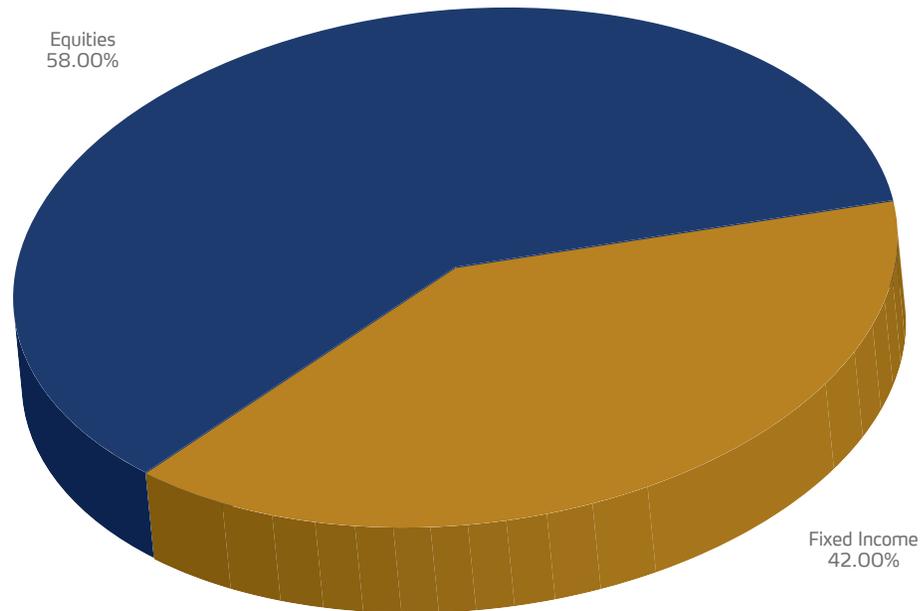
OUTLOOK

For 2015, there are opportunities for growth as the market has sound economic fundamentals in place. But despite the rosy outlook, such growth may be tempered by external developments and risk aversion concerns over the approaching election year.



BALANCED FUND

Fund Distribution by Market Value





DOLLAR FIXED INCOME FUND

FUND PERFORMANCE

The Dollar Fixed Income Fund gained 7.0% in 2014, a reversal of the previous year's performance. The Fund ended the year with a NAVPU of USD1.493287 and continues to invest primarily in Philippine sovereign issues and a few select Philippine corporates. It has maintained ample liquidity at yearend as opportunities to get into the market came into play. Deployment of fund liquidity remains to be a challenge given market volatility, US interest rate expectations and global risks.

MARKET REVIEW

The year 2014 turned out to be a rollercoaster ride for emerging markets. Yields of Philippine dollar-denominated sovereign bonds continued to trace the movements of US Treasuries (USTs) as it navigated through a field of mixed U.S. economic data and geopolitical developments. These remained an attractive investment outlet for investors as encouraging US figures sparked risk on sentiment during the smooth parts of the ride.

The first half of the year started quite bumpy with some bias on the downside as the moderating impact of the cold weather and snowstorms kept economic data in a soft patch. The direction started to change in the following months as US manufacturing and nonfarm payrolls surprised on the upside, indicating the resilience of economic activity in the US. Turbulence on the ride was caused by concerns over the re-emergence of geopolitical risks between Euro Zone, US, Eastern Ukraine and Russia as well as renewed risk of a China slowdown. It was at this point that Fed policymakers were divided on their view of the first policy rate hike from a hawkish 1Q 2015 hike to a hike

in 2016. This turned out to be a focal point, which markets began to weigh heavily on. Mixed US data coupled with global growth concerns as supranational institutions cut growth prospects increased demand for safe haven assets. The Fed provided guidance indicating record low policy rates for a considerable period. As scheduled in September, Fed Chair Yellen confirmed the end of QE as expected on the back of confidence on the gradual recovery of the US economy. Towards yearend, stronger than expected labor data and robust retail sales data continued the positive trend but this was tempered by worries over slowing global growth, deflationary concerns in the Eurozone, rising political uncertainties in Greece and spiraling oil prices.

The interplay among these significant developments helped fuel the appetite for ROP bonds, which continued its upward trend as it tracked the movement of USTs, ending higher than the initial levels of 2014.

Locally, the Philippines sustained its positive performance throughout that year with its economic fundamentals remaining intact. This was notwithstanding several obstacles faced such as government underspending, power supply bottlenecks, delays in PPP and port congestion issues. Despite all these downside risks, the country posted GDP growth of 6.1%, Gross International Reserves of USD79.5 billion, OFW remittances of USD27.0 billion and benign inflation of 4.1% in 2014. On the back of its strong fundamentals and recent gains in economic growth, credit rating agencies Moody's and S&P upgraded further the country's credit rating while Fitch is in the process of its annual review.

OUTLOOK

Philippine economic fundamentals remain unchanged and still favorable, providing resiliency amidst external risks. Moving forward, heightened market volatility in financial markets is expected to persist largely driven by movements in US interest rates, shifts in monetary policies worldwide, oil prices and developments of global events.

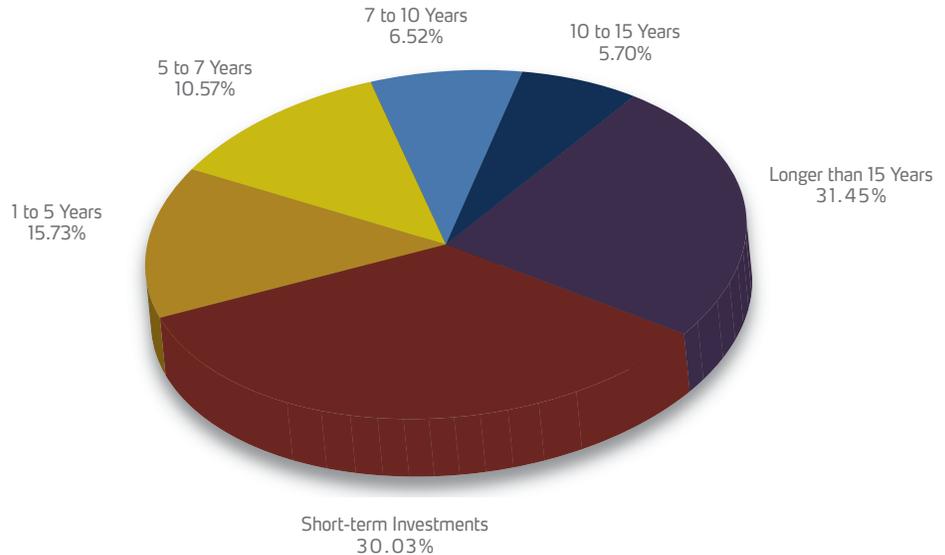


DOLLAR FIXED INCOME FUND

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 2020





THE BOARD OF TRUSTEES

THE INSULAR LIFE ASSURANCE COMPANY, LTD.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Insular Life Wealth Series Funds, which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of comprehensive income, statements of changes in net assets attributable to unitholders, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

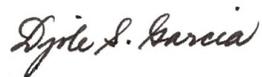
OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Insular Life Wealth Series Funds as at December 31, 2014 and 2013, 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. 4751285, January 5, 2015, Makati City

March 26, 2015



December 31, 2014

Peso Investment Funds

	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Strategic Resources Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Total Peso Investment Funds
ASSETS									
Cash and cash equivalents (Note 3)	₱140,468	₱89,837,709	₱529,186,064	₱762,003,553	₱-	₱-	₱-	₱-	₱1,381,167,794
Financial assets at fair value through profit or loss (Note 4):									
Debt securities	-	1,277,406,425	-	-	322,790,000	309,763,575	274,927,000	134,025,000	2,318,912,000
Equity securities	-	-	4,569,977,655	5,192,879,910	-	-	-	-	9,762,857,565
Investment in fixed income fund	675,396,836	-	-	-	-	-	-	-	675,396,836
Investment in equity fund	942,557,685	-	-	-	-	-	-	-	942,557,685
Subscriptions receivable (Note 5)	425,722	287,841	8,415,055	3,188,047	-	-	-	-	12,316,665
Investment income receivable (Note 5)	-	9,416,990	1,225,947	1,026,430	-	-	-	-	11,669,367
Other receivables (Note 5)	-	593,334	597,629	4,591	-	-	-	-	1,195,554
	1,618,520,711	1,377,542,299	5,109,402,350	5,959,102,531	322,790,000	309,763,575	274,927,000	134,025,000	15,106,073,466
LIABILITIES (Note 6)									
Accounts payable	1,542,978	1,309	17,103,110	18,288,634	-	-	-	-	36,936,031
Accrued and other liabilities	148,582	2,095,432	9,576,829	10,958,448	-	-	-	-	22,779,291
	1,691,560	2,096,741	26,679,939	29,247,082	-	-	-	-	59,715,322
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS									
	₱1,616,829,151	₱1,375,445,558	₱5,082,722,411	₱5,929,855,449	₱322,790,000	₱309,763,575	₱274,927,000	₱134,025,000	₱15,046,358,144
Number of Units	553,127,830	736,250,401	1,075,029,174	3,351,491,214	325,000	375,471	305,000	150,000	
Net Asset Value Per Unit	₱2.92	₱1.87	₱4.73	₱1.77	₱993.20	₱825.00	₱901.40	₱893.50	

See accompanying Notes to Financial Statements.



December 31, 2014

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	Euro Blue Chips Dollar Fund	Total Dollar Investment Funds	Total Peso and Dollar Investment Funds	Eliminating Entries	Combined
ASSETS												
Cash and cash equivalents (Note 3)	₱536,947,787	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱536,947,787	₱1,918,115,581	₱-	₱1,918,115,581
Financial assets at fair value through profit or loss (Note 4):												
Debt securities	1,132,872,616	325,394,106	737,438,699	174,059,840	74,823,824	126,382,114	392,272,665	311,627,660	3,274,871,524	5,593,783,524	-	5,593,783,524
Equity securities	-	-	-	-	-	-	-	-	-	9,762,857,565	-	9,762,857,565
Investment in fixed income fund	-	-	-	-	-	-	-	-	-	675,396,836	(675,396,836)	-
Investment in equity fund	-	-	-	-	-	-	-	-	-	942,557,685	(942,557,685)	-
Subscriptions receivable (Note 5)	390,122	-	-	-	-	-	-	-	390,122	12,706,787	(425,722)	12,281,065
Investment income receivable (Note 5)	20,990,028	-	-	-	-	-	-	-	20,990,028	32,659,395	-	32,659,395
Other receivables (Note 5)	-	-	-	-	-	-	-	-	-	1,195,554	(1,186,668)	8,886
	1,691,200,553	325,394,106	737,438,699	174,059,840	74,823,824	126,382,114	392,272,665	311,627,660	3,833,199,461	18,939,272,927	(1,619,566,911)	17,319,706,016
LIABILITIES (Note 6)												
Accounts payable	-	-	-	-	-	-	-	-	-	36,936,031	(1,542,978)	35,393,053
Accrued and other liabilities	2,461,740	-	-	-	-	-	-	-	2,461,740	25,241,031	(69,411)	25,171,620
	2,461,740	-	-	-	-	-	-	-	2,461,740	62,177,062	(1,612,389)	60,564,673
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	₱1,688,738,813	₱325,394,106	₱737,438,699	₱174,059,840	₱74,823,824	₱126,382,114	₱392,272,665	₱311,627,660	₱3,830,737,721	₱18,877,095,865	(₱1,617,954,522)	₱17,259,141,343
Number of Units	25,346,550	7,228	16,300	4,000	1,750	3,000	10,000	7,550				
Net Asset Value Per Unit	₱66.63	₱45,018.55	₱45,241.64	₱43,514.96	₱42,756.47	₱42,127.37	₱39,227.27	₱41,275.19				

See accompanying Notes to Financial Statements.



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
ASSETS							
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
Receivables (Note 5):							
Subscriptions receivable	168,988	678,108	5,269,838	19,397,910	-	-	25,514,844
Investment income receivable	-	10,330,555	1,762,615	1,059,332	-	-	13,152,502
Other receivables	-	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
LIABILITIES (Note 6)							
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
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS							
	₱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
Number of Units	550,802,692	709,257,453	927,216,149	2,761,570,413	325,000	375,471	
Net Asset Value Per Unit	₱2.56	₱1.84	₱3.78	₱1.41	₱978.60	₱811.10	



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
ASSETS											
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)	–
Receivables (Note 5):											
Subscriptions receivable	–	–	–	–	–	–	–	–	25,514,844	(168,988)	25,345,856
Investment income receivable	17,858,064	–	–	–	–	–	–	17,858,064	31,010,566	–	31,010,566
Other receivables	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
LIABILITIES (Note 6)											
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
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS											
	₱1,275,551,799	₱326,481,807	₱719,966,485	₱168,684,372	₱71,646,444	₱115,041,143	₱356,155,866	₱3,033,527,916	₱13,765,884,417	(₱1,410,810,728)	₱12,355,073,689
Number of Units	20,577,034	7,228	16,300	4,000	1,750	3,000	10,000				
Net Asset Value Per Unit	₱61.99	₱45,169.04	₱44,169.72	₱42,171.09	₱40,940.83	₱38,347.05	₱35,615.59				

See accompanying Notes to Financial Statements.



Year Ended December 31, 2014

	Peso Investment Funds								
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Strategic Resources Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Total Peso Investment Funds
INCOME									
Interest income - deposits (Note 3)	₱-	₱888,097	₱1,172,556	₱1,478,228	₱-	₱-	₱-	₱-	₱3,538,881
Interest income - debt securities (Note 4)	-	62,173,571	-	-	-	-	-	-	62,173,571
Dividends (Note 5)	-	-	76,768,882	72,564,132	-	-	-	-	149,333,014
	-	63,061,668	77,941,438	74,042,360	-	-	-	-	215,045,466
EXPENSES									
Management fees (Note 7)	-	20,798,393	84,955,973	95,361,555	-	-	-	-	201,115,921
Administration fees (Note 7)	885,033	803,153	2,376,834	2,662,988	-	-	-	-	6,728,008
Custody fees (Note 7)	-	203,669	888,565	988,919	-	-	-	-	2,081,153
Government taxes and duties	-	11,432,598	158	120	-	-	-	-	11,432,876
Professional fees	-	121,723	121,723	121,722	-	-	-	-	365,168
Transaction costs	-	156,615	265,367	300,212	-	-	-	-	722,194
	885,033	33,516,151	88,608,620	99,435,516	-	-	-	-	222,445,320
OTHER INCOME (LOSSES)									
Net change in unrealized gain (loss) on investment	168,016,577	(8,208,673)	765,687,706	936,868,808	4,745,000	5,219,047	(30,073,000)	(15,975,000)	1,826,280,465
Realized gain (loss) on investment	33,535,006	3,566,719	163,160,476	106,918,644	-	-	-	-	307,180,845
Foreign currency gain	-	-	-	-	-	-	-	-	-
	201,551,583	(4,641,954)	928,848,182	1,043,787,452	4,745,000	5,219,047	(30,073,000)	(15,975,000)	2,133,461,310
NET INCREASE (DECREASE)									
IN NET ASSETS									
ATTRIBUTABLE TO UNITHOLDERS RESULTING FROM OPERATIONS AND OTHER COMPREHENSIVE INCOME									
	₱200,666,550	₱24,903,563	₱918,181,000	₱1,018,394,296	₱4,745,000	₱5,219,047	(₱30,073,000)	(₱15,975,000)	₱2,126,061,456

See accompanying Notes to Financial Statements.



Year Ended December 31, 2014

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	Euro Blue Chips Dollar Fund	Total Dollar Investment Funds	Total Peso and Dollar Investment Funds	Eliminating Entries	Combined
INCOME												
Interest income - deposits (Note 3)	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱3,538,881	₱-	₱3,538,881
Interest income - debt securities (Note 4)	57,805,427	-	-	-	-	-	-	-	57,805,427	119,978,998	-	119,978,998
Dividends (Note 5)	-	-	-	-	-	-	-	-	-	149,333,014	-	149,333,014
	57,805,427	-	-	-	-	-	-	-	57,805,427	272,850,893	-	272,850,893
EXPENSES												
Management fees (Note 7)	21,708,161	-	-	-	-	-	-	-	21,708,161	222,824,082	-	222,824,082
Administration fees (Note 7)	795,964	-	-	-	-	-	-	-	795,964	7,523,972	-	7,523,972
Custody fees (Note 7)	203,183	-	-	-	-	-	-	-	203,183	2,284,336	-	2,284,336
Government taxes and duties	-	-	-	-	-	-	-	-	-	11,432,876	-	11,432,876
Professional fees	105,086	-	-	-	-	-	-	-	105,086	470,254	-	470,254
Transaction costs	96,149	-	-	-	-	-	-	-	96,149	818,343	-	818,343
	22,908,543	-	-	-	-	-	-	-	22,908,543	245,353,863	-	245,353,863
OTHER INCOME (LOSSES)												
Net change in unrealized gain (loss) on investment	62,552,842	(2,568,191)	14,116,989	4,583,524	2,836,944	10,765,953	34,332,023	(24,576,412)	102,043,672	1,928,324,137	(168,016,577)	1,760,307,560
Realized gain (loss) on investment	(952,537)	-	-	-	-	-	-	-	(952,537)	306,228,308	(33,535,006)	272,693,302
Foreign currency gain	5,830,076	1,480,490	3,355,225	791,944	340,436	575,018	1,784,776	8,081,072	22,239,037	22,239,037	-	22,239,037
	67,430,381	(1,087,701)	17,472,214	5,375,468	3,177,380	11,340,971	36,116,799	(16,495,340)	123,330,172	2,256,791,482	(201,551,583)	2,055,239,899
NET INCREASE (DECREASE)												
IN NET ASSETS												
ATTRIBUTABLE TO												
UNITHOLDERS RESULTING												
FROM OPERATIONS AND												
OTHER COMPREHENSIVE												
INCOME	₱102,327,265	(₱1,087,701)	₱17,472,214	₱5,375,468	₱3,177,380	₱11,340,971	₱36,116,799	(₱16,495,340)	₱158,227,056	₱2,284,288,512	(₱201,551,583)	₱2,082,736,929

See accompanying Notes to 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
INCOME							
Interest income - deposits (Note 3)	P46	P544,771	P1,934,461	P1,517,751	P-	P-	P3,997,029
Interest income - debt securities (Note 4)	-	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
EXPENSES							
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
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
OTHER INCOME (LOSSES)							
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)
NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS RESULTING FROM OPERATIONS AND OTHER COMPREHENSIVE INCOME							
	P11,172,041	P42,962,707	(P149,076,434)	(P139,094,483)	(P4,647,500)	(P28,873,720)	(P267,557,389)

See accompanying Notes to 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
INCOME											
Interest income - deposits (Note 3)	P-	P-	P-	P-	P-	P-	P-	P	₱3,997,029	P	₱3,997,029
Interest income - debt securities (Note 4)	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
EXPENSES											
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
OTHER INCOME (LOSSES)											
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)
NET INCREASE (DECREASE)											
IN NET ASSETS											
ATTRIBUTABLE TO UNITHOLDERS RESULTING FROM OPERATIONS AND OTHER COMPREHENSIVE INCOME											
	(₱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 Financial Statements.



FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Peso Investment Funds

	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Strategic Resources Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Total Peso Investment Funds
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2012	₱1,194,786,322	₱1,028,408,860	₱3,587,188,088	₱2,520,632,177	₱322,692,500	₱333,418,248	₱-	₱-	₱8,987,126,195
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 (decrease) 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)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2013	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
Contributions received from units issued	99,160,426	283,973,303	1,242,076,267	1,753,958,422	-	-	305,000,000	150,000,000	3,834,168,418
Redemptions during the year	(93,568,216)	(235,626,548)	(579,656,368)	(737,377,099)	-	-	-	-	(1,646,228,231)
	5,592,210	48,346,755	662,419,899	1,016,581,323	-	-	305,000,000	150,000,000	2,187,940,187
Net increase (decrease) in net assets attributable to unitholders resulting from operations	200,666,550	24,903,563	918,181,000	1,018,394,296	4,745,000	5,219,047	(30,073,000)	(15,975,000)	2,126,061,456
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2014	₱1,616,829,151	₱1,375,445,558	₱5,082,722,411	₱5,929,855,449	₱322,790,000	₱309,763,575	₱274,927,000	₱134,025,000	₱15,046,358,144

See accompanying Notes to Financial Statements.



FOR THE YEARS ENDED DECEMBER 31, 2014 AND 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	Euro Blue Chips Dollar Fund	Total Dollar Investment Funds	Total Peso and Dollar Investment Funds	Eliminating Entries	Combined
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2012	₱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
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 (decrease) 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)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2013	1,275,551,799	326,481,807	719,966,485	168,684,372	71,646,444	115,041,143	356,155,866	-	3,033,527,916	13,765,884,417	(1,410,810,728)	12,355,073,689
Contributions received from units issued	407,800,044	-	-	-	-	-	-	328,123,000	735,923,044	4,570,091,462	(99,160,427)	4,470,931,035
Redemptions during the year	(96,940,295)	-	-	-	-	-	-	-	(96,940,295)	(1,743,168,526)	93,568,216	(1,649,600,310)
	310,859,749	-	-	-	-	-	-	328,123,000	638,982,749	2,826,922,936	(5,592,211)	2,821,330,725
Net increase (decrease) in net assets attributable to unitholders resulting from operations	102,327,265	(1,087,701)	17,472,214	5,375,468	3,177,380	11,340,971	36,116,799	(16,495,340)	158,227,056	2,284,288,512	(201,551,583)	2,082,736,929
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2014	₱1,688,738,813	₱325,394,106	₱737,438,699	₱174,059,840	₱74,823,824	₱126,382,114	₱392,272,665	₱311,627,660	₱3,830,737,721	₱18,877,095,865	(₱1,617,954,522)	₱17,259,141,343

See accompanying Notes to Financial Statements.



FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Year Ended December 31, 2014										
Peso Investment Funds										
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Strategic Resources Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Total Investment Funds	Peso Funds
CASH FLOWS FROM OPERATING ACTIVITIES										
Net increase (decrease) in net assets attributable to unitholders resulting from operations	₱200,666,550	₱24,903,563	₱918,181,000	₱1,018,394,296	₱4,745,000	₱5,219,047	(₱30,073,000)	(₱15,975,000)	₱2,126,061,456	
Adjustments for (gain) loss on increase/ decrease in value and sale of investments - net	(201,551,583)	4,641,954	(928,848,182)	(1,043,787,452)	(4,745,000)	(5,219,047)	30,073,000	15,975,000	(2,133,461,310)	
Operating income (loss) before working capital changes	(885,033)	29,545,517	(10,667,182)	(25,393,156)	-	-	-	-	(7,399,854)	
Net increase (decrease):										
Subscription receivable	(256,734)	390,267	(3,145,217)	16,209,863	-	-	-	-	13,198,179	
Investment income receivable	-	913,565	536,668	32,902	-	-	-	-	1,483,135	
Other receivable	-	(466,241)	4,045,596	3,882,217	-	-	-	-	7,461,572	
Net (increase) decrease:										
Accounts payable, accrued and other liabilities	1,141,767	160,131	19,983,823	21,865,885	-	-	-	-	43,151,606	
Net cash from operating activities	-	30,543,239	10,753,688	16,597,711	-	-	-	-	57,894,638	
CASH FLOWS FROM INVESTING ACTIVITIES										
Net acquisition of investments	(5,592,210)	(216,449,758)	(466,127,997)	(788,779,018)	-	-	(305,000,000)	(150,000,000)	(1,931,948,983)	
CASH FLOWS FROM FINANCING ACTIVITIES										
Net contributions to the funds	5,592,210	48,346,755	662,419,899	1,016,581,323	-	-	305,000,000	150,000,000	2,187,940,187	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS										
	-	(137,559,764)	207,045,590	244,400,016	-	-	-	-	313,885,842	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR										
	140,468	227,397,473	322,140,474	517,603,537	-	-	-	-	1,067,281,952	
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)										
	₱140,468	₱89,837,709	₱529,186,064	₱762,003,553	₱-	₱-	₱-	₱-	₱1,381,167,794	

See accompanying Notes to Financial Statements.



FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Year Ended December 31, 2014												
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	Euro Blue Chips Dollar Fund	Total Dollar Investment Funds	Total	Eliminating Entries	Combined
CASH FLOWS FROM OPERATING ACTIVITIES												
Net increase (decrease) in net assets attributable to unitholders resulting from operations	102,327,265	(P1,087,701)	P17,472,214	P5,375,468	P3,177,380	P11,340,971	P36,116,799	(P16,495,340)	P158,227,056	P2,284,288,512	(P201,551,583)	P2,082,736,929
Adjustments for (gain) loss on increase/ decrease in value and sale of investments - net	(67,430,381)	1,087,701	(17,472,214)	(5,375,468)	(3,177,380)	(11,340,971)	(36,116,799)	16,495,340	(123,330,172)	(2,256,791,482)	201,551,583	(2,055,239,899)
Operating income (loss) before working capital changes	34,896,884	-	-	-	-	-	-	-	34,896,884	27,497,030	-	27,497,030
Net increase (decrease):												
Subscription receivable	(390,122)	-	-	-	-	-	-	-	(390,122)	12,808,057	256,734	13,064,791
Investment income receivable	(3,131,964)	-	-	-	-	-	-	-	(3,131,964)	(1,648,829)	-	(1,648,829)
Other receivable	8,051	-	-	-	-	-	-	-	8,051	7,469,623	932,480	8,402,103
Net (increase) decrease:												
Accounts payable, accrued and other liabilities	(1,036,148)	-	-	-	-	-	-	-	(1,036,148)	42,115,458	(1,189,214)	40,926,244
Net cash from operating activities	30,346,701	-	-	-	-	-	-	-	30,346,701	88,241,339	-	88,241,339
CASH FLOWS FROM INVESTING ACTIVITIES												
Net acquisition of investments	(133,929,354)	-	-	-	-	-	-	(328,123,000)	(462,052,354)	(2,394,001,337)	5,592,211	(2,388,409,126)
CASH FLOWS FROM FINANCING ACTIVITIES												
Net contributions to the funds	310,859,749	-	-	-	-	-	-	328,123,000	638,982,749	2,826,922,936	(5,592,211)	2,821,330,725
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS												
	207,277,096	-	-	-	-	-	-	-	207,277,096	521,162,938	-	521,162,938
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR												
	329,670,691	-	-	-	-	-	-	-	329,670,691	1,396,952,643	-	1,396,952,643
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)												
	P536,947,787	P-	P-	P-	P-	P-	P-	P-	P536,947,787	P1,918,115,581	P-	P1,918,115,581

See accompanying Notes to Financial Statements.



FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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
CASH FLOWS FROM OPERATING ACTIVITIES							
Net increase (decrease) 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)
Adjustments for (gain) loss on increase/decrease in value and sale of investments - net	(11,552,809)	(8,819,591)	153,222,374	106,908,524	4,647,500	28,873,720	273,279,718
Operating income (loss) before working capital changes	(380,768)	34,143,116	4,145,940	(32,185,959)	–	–	5,722,329
Net increase (decrease):							
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)
CASH FLOWS FROM INVESTING ACTIVITIES							
Net acquisition of investments	(203,388,505)	(107,221,419)	(379,134,063)	(1,128,534,845)	–	–	(1,818,278,832)
CASH FLOWS FROM FINANCING ACTIVITIES							
Net contributions to the funds	204,612,028	230,823,673	64,009,858	1,513,342,136	–	–	2,012,787,695
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS							
	37	159,149,123	(326,699,060)	319,909,928	–	–	152,360,028
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR							
	140,431	68,248,350	648,839,534	197,693,609	–	–	914,921,924
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)							
	₱140,468	₱227,397,473	₱322,140,474	₱517,603,537	₱–	₱–	₱1,067,281,952

See accompanying Notes to Financial Statements.



FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	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	Eliminating Entries	Combined
CASH FLOWS FROM OPERATING ACTIVITIES											
Net increase (decrease) in net assets attributable to unitholders resulting from operations											
Adjustments for (gain) loss on increase/ decrease in value and sale of investments - net	(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)
Operating income (loss) before working capital changes	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
Net increase (decrease):											
Subscription receivable	33,446,813	-	-	-	-	-	-	33,446,813	39,169,142	-	39,169,142
Investment income receivable	-	-	-	-	-	-	-	-	(25,514,844)	-	(25,514,844)
Other receivable	(4,055,028)	-	-	-	-	-	-	(4,055,028)	(3,132,245)	-	(3,132,245)
Net (increase) decrease:											
Accounts payable, accrued and other liabilities	(585)	-	-	-	-	-	-	(585)	7,073,809	-	7,073,809
Net cash from (used in) operating activities	2,074,056	-	-	-	-	-	-	2,074,056	(28,279,441)	-	(28,279,441)
	31,465,256	-	-	-	-	-	-	31,465,256	(10,683,579)	-	(10,683,579)
CASH FLOWS FROM INVESTING ACTIVITIES											
Net 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)
CASH FLOWS FROM FINANCING ACTIVITIES											
Net contributions 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
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS											
	203,966,204	-	-	-	-	-	-	203,966,204	356,326,232	-	356,326,232
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR											
	125,704,487	-	-	-	-	-	-	125,704,487	1,040,626,411	-	1,040,626,411
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)											
	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 Financial Statements.



1. INVESTMENT FUND INFORMATION

On February 14, 2005, the Insurance Commission (“IC”) approved the license of The Insular Life Assurance Co., Ltd. (the “Company”) to sell variable-unit linked (“VUL”) insurance contracts, a life insurance product that is linked to investment in Insular Life Wealth Series Funds (the “Separate Funds”). The Separate Funds of the Company consisted of Philippine Peso (“Peso”) Investment Funds which include Balanced Fund, Peso Fixed Income Fund, and Equity Fund (established and launched to the public on March 8, 2005) and United States Dollar (“Dollar”) Investment Funds which include Dollar Fixed Income Fund (established and launched to the public on September 24, 2007). The Greater China Fund, Strategic Energy Fund, China Prime Fund Tranche 1, China Prime Fund Tranche 2, Asia Dynamic Equity Fund, Asian Emerging Companies Dollar Fund, and Euro Blue Chips Dollar Fund (which are Dollar Investment Funds) were established and launched to the public in January 2010, October 2010, June 2012, July 2012, February 2013, May 2013, and July 2014, respectively. The Growth Fund, Strategic Resources Fund, Asian Emerging Companies Peso Fund, Philippine Equity Advantage Fund Tranche 1, and Philippine Equity Advantage Fund Tranche 2 (which are Peso Investment

Funds) were established and launched to public in February 2011, October 2011, September 2012, February 2014, and April 2014, respectively.

Following are the investment objectives of the Separate Funds:

Peso Investment Fund

Balanced Fund

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

Fixed Income Fund

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



Equity Fund

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

Growth Fund

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

Strategic Resources Fund

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

This fund is fully invested in a 5-year, Peso-linked, Dollar-structured note issued by ING Bank N.V. in October 2011. The structured note provides principal protection at maturity and an upside potential determined through participation in the performance of ING customized index which is

allocated between cash and equities of SPDR S&P Oil & Gas Exploration & Production ETF (XOP US Equity) and Market Vectors Agribusiness ETF (MOO US Equity).

Asian Emerging Fund

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

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

Philippine Equity Advantage Fund - Tranche 1

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



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

Philippine Equity Advantage Fund - Tranche 2

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

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

Dollar Investment Fund

Fixed Income Fund

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

Greater China Fund

This is 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 Dollar-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, Dollar-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

This is 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 Dollar-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, Dollar-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

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

This fund is fully invested in a 7-year, Dollar-structured note issued by Citigroup Funding Inc. in July 2012. The structured note, which is guaranteed by Citigroup, Inc., provides principal protection at maturity and an upside potential determined through a participation in the performance of the equity markets in China as represented by China Target Volatility 10% Tracker.

China Prime Fund – Tranche 2

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

This fund is fully invested in a 7-year, Dollar-structured note issued by Citigroup Funding Inc. in July 2012. The structured note, which is guaranteed by Citigroup, Inc., provides principal protection at maturity and an upside potential determined through a participation in the performance of the equity markets in China as represented by 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 dollar denominated variable life insurance by investing in a structured note that provides exposure to equities listed in Asia excluding Japan.

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

Asian Emerging Companies Fund

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

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

Euro Blue Chips Dollar Fund

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

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

Balance Fund, Peso Fixed Income Fund, Equity Fund, Growth Fund (which are all Peso Investment Funds), and Dollar Fixed Income Fund (which is a Dollar Investment Fund) are classified as “Traditional VUL.”

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

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

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

for submission to the IC.

The financial statements were authorized for issue by the President and Chief Operating Officer of the Company on March 26, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

Statement of Compliance

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

Basis of Financial Statement Preparation

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



The financial statements include the financial statements of the 16 Separate Wealth Series Funds namely: Balanced Fund, Peso Fixed Income Fund, Equity Fund, Growth Fund, Strategic Resources Fund, Asian Emerging Companies Fund, Philippine Equity Advantage Fund Tranche 1, and Philippine Equity Advantage Fund Tranche 2, which comprise the Peso Investment Funds; and Dollar Fixed Income Fund, Greater China Fund, Strategic Energy Fund, China Prime Fund Tranche 1, China Prime Fund Tranche 2, Asia Dynamic Equity Fund, Asian Emerging Companies Fund, and Euro Blue Chips Dollar Fund, which comprise the Dollar Investment Funds. Inter-fund investments are eliminated in full.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended PFRS which were adopted starting January 1, 2014:

- *Investment Entities (Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities, and PAS 27, Separate Financial Statements)*

These amendments 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 amendments must be applied

retrospectively, subject to certain transition relief. The amendment has no significant impact on the Separate Funds' financial position or performance.

- *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 the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The amendments affect presentation only and have no impact on the Separate Funds' financial position or performance.

- *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 and retrospective application is required. These amendments have no impact as the Company did not apply hedge accounting on the Separate Funds' financial statements.

- *Annual Improvements to PFRSs (2010-2012 cycle):*

In the 2010-2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, Fair Value Measurement.



The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no significant impact on the Separate Funds' financial statements.

▪ *Annual Improvements to PFRSs (2011-2013 cycle)*

In the 2011-2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, First-time Adoption of Philippine Financial Reporting Standards—First-time Adoption of PFRS. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Separate Funds' financial statements.

Existing Standards Effective Subsequent to December 31, 2014

The Separate Funds will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption

of these changes in PFRS to have a significant impact on the Separate Funds' financial statements. The relevant disclosures will be included in the notes to the financial statements when these become effective.

Effective in 2015

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Separate Funds. These include, among others, PFRS 13, Fair Value Measurement – Portfolio Exception. The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

Effective in 2016

Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Separate Funds. These include, among others:



- *PFRS 7, Financial Instruments: Disclosures - Servicing Contracts*

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- *PFRS 7 - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- *PAS 34, Interim Financial Reporting - disclosure of information "elsewhere in the interim financial report"*

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective in 2018

- **PFRS 9, Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7, and PAS 39 (2013 version)**

PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of 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 derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

Management is still assessing the impact of the adoption of PFRS 9 on the Separate Funds' financial statements.

▪ **PFRS 9, Financial Instruments (2014 or final version)**

In July 2014, the final version of PFRS 9, Financial Instruments, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

Management is still assessing the impact of the adoption of PFRS 9 on the Separate Funds' financial statements.

Fair Value Measurement

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

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

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



The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

For assets and liabilities that are recognized in the Separate Funds' financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on

the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

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

Financial Instruments

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



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

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

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

Financial Assets at FVPL

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

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

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

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

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



terms of the contract or when the right to receive payment has been established.

As of December 31, 2014 and 2013, the Separate Funds' financial assets at FVPL consist of debt securities, equity securities, and inter-fund investments. Inter-fund investments are eliminated in full in the statements of financial position.

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. These comprise of cash and cash equivalents, subscriptions receivable, investment income receivable, and other receivables. After initial measurement, such assets are subsequently measured at amortized cost using effective interest rate method less any allowance for impairment. The effective interest rate amortization and loss arising from impairment, if any, are recognized in the statements of comprehensive income.

Derecognition of Financial Assets

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

- the rights to receive cash flows from the financial asset have expired;
- the Separate Funds retain the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Separate Funds have transferred its right to receive cash flows from the financial asset and either (a) has transferred



substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but have transferred control of the financial asset.

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

Impairment of Financial Assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial asset in the Separate Funds is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial

assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interests or principal repayments, the probability that they will enter bankruptcy or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting

the allowance account. If a write-off is later recovered, the recovery is credited to the statements of comprehensive income.

Cash and Cash Equivalents

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

Revenue Recognition

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

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



income).

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

Realized 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 statements of comprehensive income as they accrue.

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

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

Foreign Currency Denominated Transactions

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



3. CASH AND CASH EQUIVALENTS

2014						
	Peso Investment Funds				Dollar Investment Fund	
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Fixed Income Fund	Combined
Cash in banks	₱140,468	₱1,837,709	₱1,186,064	₱1,503,553	₱536,947,787	₱541,615,581
Cash equivalents	–	88,000,000	528,000,000	760,500,000	–	1,376,500,000
	₱140,468	₱89,837,709	₱529,186,064	₱762,003,553	₱536,947,787	₱1,918,115,581

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

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of between one day and three months and earn interest at the prevailing short-term deposit rates. Interest income on bond deposits totaled ₱3,538,881 and ₱3,997,029 in 2014 and 2013, respectively.



4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments in Debt Securities

	2014				
	Peso Investment Funds				
	Fixed Income Fund	Strategic Resources Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2
Acquisition cost	₱1,245,944,530	₱325,000,000	₱375,471,000	₱305,000,000	₱150,000,000
Increase (decrease) in value of investments	31,461,895	(2,210,000)	(65,707,425)	(30,073,000)	(15,975,000)
Fair value	₱1,277,406,425	₱322,790,000	₱309,763,575	₱274,927,000	₱134,025,000

	2013				
	Peso Investment Funds				
	Fixed Income Fund	Strategic Resources Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2
Acquisition cost	₱1,025,928,052	₱325,000,000	₱375,471,000	₱—	₱—
Increase (decrease) in value of investments	39,670,569	(6,955,000)	(70,926,472)	—	—
Fair value	₱1,065,598,621	₱318,045,000	₱304,544,528	₱—	₱—



2014

Dollar Investment Fund

	Fixed Income Fund	Greater China Fund	Strategic Energy Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Equity Fund	Asia Emerging Fund	Euro Blue Chips Dollar Fund	Combined
Acquisition cost	₱1,100,854,986	₱321,024,392	₱723,948,200	₱177,656,000	₱77,724,500	₱133,242,000	₱444,140,000	₱328,123,000	₱5,708,128,608
Increase (decrease) in value of investments	32,017,630	4,369,714	13,490,499	(3,596,160)	(2,900,676)	(6,859,886)	(51,867,335)	(16,495,340)	(114,345,084)
Fair value	₱1,132,872,616	₱325,394,106	₱737,438,699	₱174,059,840	₱74,823,824	₱126,382,114	₱392,272,665	₱311,627,660	₱5,593,783,524

2013

Dollar Investment Fund

	Fixed Income Fund	Greater China Fund	Strategic Energy Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Equity Fund	Asia Emerging Fund	Euro Blue Chips Dollar Fund	Combined
Acquisition cost	₱961,909,163	₱321,024,392	₱723,948,200	₱177,656,000	₱77,724,500	₱133,242,000	₱444,140,000	₱-	₱4,566,043,307
Increase (decrease) in value of investments	(30,396,282)	5,457,415	(3,981,715)	(8,971,628)	(6,078,056)	(18,200,857)	(87,984,134)	-	(188,366,160)
Fair value	₱931,512,881	₱326,481,807	₱719,966,485	₱168,684,372	₱71,646,444	₱115,041,143	₱356,155,866	₱-	₱4,377,677,147

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



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

	2014				
	Peso Investment Funds				
	Fixed Income Fund	Strategic Resources Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2
Due after one year through five years	₱713,205,913	₱325,000,000	₱375,471,000	₱–	₱–
Due after five years	1,034,591,458	–	–	305,000,000	150,000,000
	₱1,747,797,371	₱325,000,000	₱375,471,000	₱305,000,000	₱150,000,000

	2013				
	Peso Investment Funds				
	Fixed Income Fund	Strategic Resources Fund	Asian Emerging Companies Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2
Due after one year through five years	₱580,165,191	₱325,000,000	₱–	₱–	₱–
Due after five years	982,795,940	–	375,471,000	–	–
	₱1,562,961,131	₱325,000,000	₱375,471,000	₱–	₱–



2014									
Dollar Investment Fund									
	Fixed Income Fund	Greater China Fund	Strategic Energy Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Equity Fund	Asia Emerging Fund	Euro Blue Chips Dollar Fund	Combined
Due after one year through five years	₱508,611,492	₱322,491,676	₱727,257,100	₱178,468,000	₱78,079,750	₱-	₱-	₱-	₱3,228,584,931
Due after five years	1,092,893,415	-	-	-	-	133,851,000	446,170,000	336,858,350	3,499,364,223
	₱1,601,504,907	₱322,491,676	₱727,257,100	₱178,468,000	₱78,079,750	₱133,851,000	₱446,170,000	₱336,858,350	₱6,727,949,154
2013									
Dollar Investment Fund									
	Fixed Income Fund	Greater China Fund	Strategic Energy Fund	China Prime Fund Tranche 1	China Prime Fund Tranche 2	Asia Dynamic Equity Fund	Asia Emerging Fund	Euro Blue Chips Dollar Fund	Combined
Due after one year through five years	₱329,640,708	₱322,491,676	₱727,257,100	₱-	₱-	₱-	₱-	₱-	₱2,284,554,675
Due after five years	1,164,830,433	-	-	178,468,000	78,079,750	133,851,000	446,170,000	-	3,359,666,123
	₱1,494,471,141	₱322,491,676	₱727,257,100	₱178,468,000	₱78,079,750	₱133,851,000	₱446,170,000	₱-	₱5,644,220,798

Interest income from investment in debt securities totaled ₱119,978,998 and ₱116,993,918 in 2014 and 2013, respectively.



Investments in Equity Securities

	2014		
	Equity Fund	Growth Fund	Combined
Acquisition cost	₱3,270,938,018	₱4,067,377,251	₱7,338,315,269
Increase in value of investments	1,299,039,637	1,125,502,659	2,424,542,296
Fair value	₱4,569,977,655	₱5,192,879,910	₱9,762,857,565

	2013		
	Equity Fund	Growth Fund	Combined
Acquisition cost	₱2,641,649,547	₱3,171,679,589	₱5,813,329,136
Increase in value of investments	533,351,929	188,633,851	721,985,780
Fair value	₱3,175,001,476	₱3,360,313,440	₱6,535,314,916



5. RECEIVABLES

2014					
Peso Investment Funds					Dollar Investment Fund
	Fixed Income Fund	Equity Fund	Growth Fund	Fixed Income Fund	Combined
Investment income					
receivables:					
Accrued interest	₱9,416,990	₱7,040	₱10,140	₱20,990,028	₱30,424,198
Accrued dividends	–	1,218,907	1,016,290	–	2,235,197
	9,416,990	1,225,947	1,026,430	20,990,028	32,659,395
Subscriptions receivable	287,841	8,415,055	3,188,047	390,122	12,281,065
Other receivables	–	4,295	4,591	–	8,886
	₱9,704,831	₱9,645,297	₱4,219,068	₱21,380,150	₱44,949,346

2013					
Peso Investment Funds					Dollar Investment Fund
	Fixed Income Fund	Equity Fund	Growth Fund	Fixed Income Fund	Combined
Investment income receivables:					
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
	10,330,555	1,762,615	1,059,332	17,858,064	31,010,566
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
	₱11,008,663	₱11,548,583	₱24,344,050	₱17,866,115	₱64,767,411



- 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 1.625% to 10.625% in 2014 and 5.5% to 10.625% in 2013.
- Accrued dividend receivables are noninterest-bearing and pertain to dividends earned on investment in equity securities but not yet received by the Separate Funds.
- Subscription receivable pertains to value of units subscribed but not yet received as at reporting date. Subscription receivable of Balanced Fund amounting to ₱425,722 and ₱168,988 in 2014 and 2013, respectively, have been eliminated in full (see Note 6).
- Other receivable includes due from Fund Manager and outstanding sales as at reporting period. Inter-fund receivable of Peso Fixed Income Fund amounting ₱593,334 and ₱127,093 in 2014 and 2013, respectively, and inter-fund receivable of Equity Fund amounting ₱593,334 and ₱127,095 in 2014 and 2013, respectively, have been eliminated in full (see Note 6).



6. ACCOUNTS PAYABLE AND ACCRUED AND OTHER LIABILITIES

	2014					Combined
	Peso Investment Funds				Dollar Investment Fund	
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Fixed Income Fund	
Accounts payable -						
Due to broker	₱-	₱-	₱17,101,801	₱18,288,634	₱-	₱35,390,435
Due to related party	-	1,309	1,309	-	-	2,618
	-	1,309	17,103,110	18,288,634	-	35,393,053
Accrued and other liabilities:						
Management fees payable (Note 7)	-	1,907,343	9,032,619	10,403,956	2,263,203	23,607,121
Administration fees payable (Note 7)	79,171	72,186	250,647	288,359	82,986	773,349
Custody fees payable (Note 7)	-	19,161	80,911	92,116	20,492	212,680
Professional fees payable	-	93,625	93,625	93,625	93,409	374,284
Transaction fees payable	-	-	44,170	9,300	-	53,470
Taxes payable	-	3,117	74,857	71,092	1,650	150,716
	79,171	2,095,432	9,576,829	10,958,448	2,461,740	25,171,620
	₱79,171	₱2,096,741	₱26,679,939	₱29,247,082	₱2,461,740	₱60,564,673



	2013					Combined
	Peso Investment Funds				Dollar Investment Fund	
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Fixed Income Fund	
Accounts payable:						
Redemptions payable	₱–	₱–	₱–	₱–	₱1,602,534	₱1,602,534
Accrued and other liabilities:						
Management fees payable (Note 7)	–	1,702,247	6,112,292	6,780,372	1,683,260	16,278,171
Administration fees payable (Note 7)	126,617	118,608	321,911	359,738	117,626	1,044,500
Custody fees payable (Note 7)	–	24,796	107,947	113,682	31,798	278,223
Professional fees payable	–	82,438	82,438	82,438	31,962	279,276
Transaction fees payable	–	–	38,069	5,899	–	43,968
Taxes payable	–	1,851	32,150	39,068	1,471	74,540
Others	–	6,670	1,309	–	29,237	37,216
	126,617	1,936,610	6,696,116	7,381,197	1,895,354	18,035,894
	₱126,617	₱1,936,610	₱6,696,116	₱7,381,197	₱3,497,888	₱19,638,428

The accounts payable and accrued and other liabilities of Balanced Fund for 2014 and 2013 in the above table are net of inter-fund receivables and payables (see Note 5).



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 2014 and 2013 related to these funds.

Investment management fees expense amounted to ₱222,824,082 and ₱188,399,192 in 2014 and 2013, respectively. Investment management fees payable outstanding as of December 31, 2014 and 2013 amounted to ₱23,607,121 and ₱16,278,171, respectively (see Note 6).

b) Administration fees

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

the administration, custody, and investment management fees. Funds without administration fee incurred in 2014 and 2013 are passively administered.

Administration fees expense amounted to ₱7,523,972 and ₱4,853,612 in 2014 and 2013, respectively. Administration fees payable outstanding as of December 31, 2014 and 2013 amounted to ₱773,349 and ₱1,044,500, respectively (see Note 6).

c) Custody fees

Pursuant to the Service Level Agreement, the Fund Custodian is entitled to receive between 2.0 to 3.0 basis points per annum based on the total portfolio asset value of the Separate Funds. Structured notes are held at the custody of the Company and as such there was no custody fee expense incurred for all structured notes in 2014 and 2013 (see Note 6).

Custody fees expense amounted to ₱2,284,336 and ₱1,674,944 in 2014 and 2013, respectively. Outstanding balances of custody fees payable amounted to ₱212,680 and ₱278,223 as of December 31, 2014 and 2013, respectively (see Note 6).



8. FINANCIAL INSTRUMENTS

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

	2014				Total
	Peso Investment Funds		Dollar Investment Funds		
	Fair Value through profit or loss	Loans and receivables	Fair Value through profit or loss	Loans and receivables	
<i>Financial assets</i>					
<i>Traditional VULs:</i>					
Cash and cash equivalents	₱–	₱1,381,167,794	₱–	₱536,947,787	₱1,918,115,581
Equity securities - quoted	9,762,857,565	–	–	–	9,762,857,565
Debt securities - quoted fixed interest rates	1,277,406,425	–	1,132,872,616	–	2,410,279,041
Subscriptions receivable	–	11,890,943	–	390,122	12,281,065
Investment income receivable	–	11,669,367	–	20,990,028	32,659,395
Other receivables	–	8,886	–	–	8,886
Structured VULs	1,041,505,575	–	2,141,998,908	–	3,183,504,483
	₱12,081,769,565	₱1,404,736,990	₱3,274,871,524	₱558,327,937	₱17,319,706,016

	2014		Total
	Peso Investment Funds	Dollar Investment Funds	
	Other financial liabilities	Other financial liabilities	
<i>Financial liabilities</i>			
Accounts payable	₱35,393,053	₱–	₱35,393,053
Accrued and other liabilities*	22,560,814	2,460,090	25,020,904
	₱57,953,867	₱2,460,090	₱60,413,957

*Excluding taxes payable



	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>					
Traditional VULs:					
Cash and cash equivalents	P-	₱1,067,281,952	P-	₱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
Structured VULs	622,589,528	-	1,757,976,117	-	2,380,565,645
	₱8,223,503,065	₱1,114,183,248	₱2,689,488,998	₱347,536,806	₱12,374,712,117

	2013			
	Peso Investment Funds	Dollar Investment Funds		
		Other financial liabilities	Other financial liabilities	Total
<i>Financial liabilities</i>				
Accounts payable		P-	₱1,602,534	₱1,602,534
Accrued and other liabilities *		16,067,471	1,893,883	17,961,354
		₱16,067,471	₱3,496,417	₱19,563,888

*Excluding taxes payable

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



The following table presents the fair value hierarchy of the financial assets at FVPL as at December 31, 2014 and 2013:

	2014			Total
	Level 1	Level 2	Level 3	
Equity securities	₱9,762,857,565	₱–	₱–	₱9,762,857,565
Debt securities:				
Traditional VULs:				
Local currency	1,277,406,425	–	–	1,277,406,425
Foreign currency	1,132,872,616	–	–	1,132,872,616
Structured VULs:				
Local currency	–	–	1,041,505,575	1,041,505,575
Foreign currency	–	–	2,141,998,908	2,141,998,908
	₱12,173,136,606	₱–	₱3,183,504,483	₱15,356,641,089
	2013			Total
	Level 1	Level 2	Level 3	Total
Equity securities	₱6,535,314,916	₱–	₱–	₱6,535,314,916
Debt securities:				
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
	₱8,532,426,418	₱–	₱2,380,565,645	₱10,912,992,063

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:

	2014	2013
Peso		
Beginning balance	₱622,589,528	₱656,110,748
Additions	455,000,000	–
Fair value loss	(36,083,953)	(33,521,220)
Ending balance	1,041,505,575	622,589,528
USD		
Beginning balance	1,757,976,117	1,175,219,137
Additions	328,123,000	471,197,009
Fair value gain	55,899,791	111,559,971
Ending balance	2,141,998,908	1,757,976,117
Total Level 3 financial assets	₱3,183,504,483	₱2,380,565,645

There were no transfers within different levels of the fair value hierarchy in 2014 and 2013.

The structured notes can be decomposed into bond components and option components. Fair value of structured notes has been computed by counterparties using present value calculations and option pricing models as applicable. The valuation requires management to make certain assumptions about the model inputs particularly the credit spread of the issuer. The model also used certain market observable inputs including credit default swap (CDS) of the ROP, USD interest rate swap rates (IRS) (for the

USD denominated issuances), and USD/PHP cross currency swap rates (for the PHP-denominated issuances). The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of the fair value of structured notes.

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

	Significant observable input other than quoted prices included within Level 1	Range level at yearend	Sensitivity of the input to fair value
2014	ROP CDS level (1yr-7yrs)	93 basis points	50 basis points increase or decrease in ROP CDS would result in the decrease and increase in market value of the note by ₱23,997,474 and ₱24,723,129, respectively.
	USD IRS (1yr-7yrs)	63-202 basis points	50 basis points increase or decrease in USD IRS would result in the decrease and increase in market value of the note by ₱29,282,302, and ₱30,147,044, respectively.
	PHP IRS (1yr-7yrs)	108-310 basis points	50 basis points increase or decrease in PHP IRS would result in the decrease and increase in market value of the note by ₱21,536,018 and ₱22,183,207.



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



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

Peso denominated notes

	Significant unobservable input	Range level at yearend	Sensitivity of the input to fair value
2014	Bank CDS level (1-7 years)	10-70 basis points	A 50 basis points increase (decrease) in CDS would result in the decrease (increase) in fair value of the note by ₱21,536,018 and ₱22,183,207, respectively.
2013	Bank CDS level (3-6 years)	43-97 basis points	A 50 basis points increase (decrease) in CDS would result in the decrease (increase) in fair value of the note by ₱16,273,177.

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
2014	ROP CDS level (1-7 years)	8-109 basis points	50 basis points increase or decrease in ROP CDS would result in the decrease and increase in market value of the note by ₱29,282,302 and ₱30,147,044, respectively.
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 ₱19,616,283.
	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 ₱21,244,697.

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

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

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



9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Credit risk

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

As of December 31, 2014 and 2013, 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, 2014 and 2013, all of the Separate Funds' financial assets fall under investment grade category.

Risk concentrations of the maximum exposure to credit risk

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



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

	2014	2013
Financial institutions	57%	54%
Government	37%	38%
Electricity, energy, power, and water	5%	4%
Others	1%	4%
Total	100%	100%

Liquidity risk

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

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



As of December 31, 2014 and 2013, the Separate Funds' other financial liabilities excluding taxes payable amounting to ₱60,413,958 and ₱19,563,888, respectively, have maturities of less than one year. The Separate Funds has cash amounting to ₱1,918,115,581 and ₱1,396,952,643 as of December 31, 2014 and 2013, 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 statements of financial position as financial assets at FVPL.

2014		2013	
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	₱44,759,562	50 basis points rise	₱31,098,010
50 basis points fall	(44,759,562)	50 basis points fall	(31,098,010)

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:

	2014	2013
Holding Firms	23%	30%
Electricity, energy, power, and water	23%	22%
Food, beverage, and tobacco	13%	11%
Property	10%	9%
Banks	10%	9%
Retail	7%	3%
Transportation services	4%	5%
Mining	4%	3%
Others	6%	8%
Total	100%	100%



Fair value interest rate risk

Fair value interest rate risk arises from the possibility that changes in interest rates will affect the fair values of investment in debt securities under FVPL. The exposure of the Separate Funds to market risk for changes in interest rates is related primarily to investments under the Peso Fixed Income Fund, Strategic Resource Fund, Asian Emerging Companies Fund, Philippine Equity Advantage Fund Tranche 1, and Philippine Equity Advantage Fund Tranche 2 (which are Peso Investment Funds), and Dollar Investment Funds, which are classified in the statements of financial position as financial assets at FVPL.

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

	2014		2013
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	(₱34,265,590)	25 basis points rise	(₱34,242,673)
25 basis points fall	38,915,445	25 basis points fall	36,907,780



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:

	2014		2013	
	United States Dollar Value	Peso Equivalent	United States Dollar Value	Peso Equivalent
Assets				
Traditional VULs:				
Cash and cash equivalents	US\$12,034,601	₱536,947,787	US\$7,422,675	₱329,670,691
Debt securities	25,391,053	1,132,872,616	20,973,407	931,512,881
Investment income receivable	470,449	20,990,028	402,082	17,858,064
Subscription receivable	8,744	390,122	—	—
Other receivables	—	—	181	8,051
Structured VULs	48,008,582	2,141,998,908	39,581,576	1,757,976,117
	US\$85,913,429	₱3,833,199,461	US\$68,379,921	₱3,037,025,804

	2014		2013	
	United States Dollar Value	Peso Equivalent	United States Dollar Value	Peso Equivalent
Liability				
Accounts payable	US\$—	₱—	US\$36,081	₱1,602,534
Accrued and other liabilities	55,138	2,460,090	42,641	1,893,883
	US\$55,138	₱2,460,090	US\$78,722	₱3,496,417



The foregoing Dollar amounts have been restated to their Peso equivalents using the exchange rate of ₱44.617 and ₱44.414 to US\$1, as recommended by IC, as of December 31, 2014 and 2013, 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:

2014		2013	
Change in Peso - Foreign Exchange Rate	Effect on Net Asset Value Attributable to Unitholders	Change in Peso - Foreign Exchange Rate	Effect on Net Asset Value Attributable to Unitholders
Peso appreciation of 0.48%	₱18,777,191	Peso appreciation of 1.22%	₱38,470,102
Peso depreciation of 0.48%	(18,777,191)	Peso depreciation of 1.22%	(38,470,102)



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.

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