

# **Contents**

WEALTH SERIES REPORT TO POLICYHOLDERS





#### MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



Dear Valued Policyholders,

I would like to express my sincere gratitude for your continuing trust in InLife as your partner in your financial journey. 2022 was certainly a most challenging year. What many hoped to be the beginning of a global recovery, turned into one of the worst years for investors. There was little refuge, if at all, with both global equities and bonds declining caused by record-high inflation, geopolitical conflicts and monetary tightening leading to slowing economic growth. Developed markets (MSCI World Index) and emerging markets (MSCI Emerging Markets Index) declined by 19.5% and 22.4% respectively for the year. In this 2022 edition of the Wealth Series Annual Report, our investment managers will detail the year that was and how the variable-unit linked (VUL) investment funds were impacted by the many headwinds that came our way.

The key driver of uncertainty was runaway inflation which led Central Banks to rapidly increase interest rates to cool demand. It is not without adverse effects because these rate hikes lead to higher borrowing costs for companies planning to expand and grow and for consumers planning to finance their purchases of property and goods. The Bangko Sentral ng Pilipinas (BSP) hiked a total of 350 basis points bringing its benchmark interest rate to a 14-year high of 5.5% to tame inflation in 2022. This directly impacted the prices of fixed income instruments. While InLife's Peso Fixed Income Fund experienced a decline of 2.8% last year, it received some downside protection compared to the Bloomberg Philippine Local Sovereign Index (BPHILR) 2022 decline of 4.9% as your fund managers positioned towards lower duration bonds to cushion against interest rate risk.

The Philippines' equity market also experienced net hot money outflows. Ultimately, the Philippine Stock Exchange Index (PSEi) declined by 7.8% last year. Our flagship Equity Fund was not spared from the uncertainties, experiencing a decline of 8.9% in 2022. However, viewed with a long-term investor's lens, the Equity Fund still maintains a significant outperformance over the benchmark index posting an annualized return of 16.3% since inception in 2005 compared to the PSEI's 11.9% annualized return over the same period.



#### MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

In equal manner, the impact of 2022 on policyholders' global investments was dire. As most of the target funds had allocations to US investments, our global VUL funds experienced double digit declines last year. The S&P500 itself, a basket of 500 of the publicly traded large cap stocks in the US declined from its January 2022 peak to its October 2022 bottom of about 25%. It ended the year just shy of bear market territory with a decline of 19.4%. While the Peso Global Equity and Technology Funds fared better than the S&P500, the Dollar Opportunity Fund declined by 38.3%, due to its overweight allocation into US growth stocks which were disproportionately impacted by high interest rates. The InLife Global Multi-Asset Income-Paying Funds showed its defensive characteristics last year, declaring income every month, resulting in a downside protected -3.5% and -11.7% total return for the Peso and Dollar share class respectively in 2022. It is in this regard that I commend your strong resolve to remain invested despite the historic year for global markets we experienced.

As I write this letter, many events are still causing uncertainty and negative sentiment in the investment world. The war in Ukraine continues to exact a toll on global peace and stability. Inflation across countries remain well above the desired target ranges of central banks. Continuous interest rate hikes increase the risk of economic recessions. More recently several large US banks have failed as their depositors lost faith resulting in bank runs which many feel will cause long-term tightening of credit. All these challenges will continue to test our commitment to our long-term financial plans but together we shall build our resilience through adversity. The Philippines as a country and investment option has proven its resilience once again. From a regional perspective, the country's equities fared better compared to losses in other Asian markets such as China (-15.1%), Taiwan (-22.4%), Korea (-24.9%) and Vietnam (-32.2%). Historical performance of US equities also gives us hope that this year will see better performance as the S&P 500 rarely has 2 consecutive years of negative returns, with this happening only 4 times since 1928.

I remain proud of the InLife community - our employees, financial advisors and you, our policyholders. Your steadfast optimism and loyalty enable InLife to continue its mission to bring a lifetime for good to Filipino families.

Yours in service,

Raoul Antonio E. Littaua President and CEO



#### **FUND PERFORMANCE**

Peso Fixed Income Fund posted an annual negative return of 2.8%, ending 2022 with a NAVPU of Php 2.047719. Interest rates moved upwards amid elevated inflation and tighter monetary policy. The Fund continues to invest in a mix of government and corporate bonds, treasury bills and other short-term securities.

#### MARKET REVIEW

Higher interest rate trajectory in 2022 was mainly driven by persistently high inflation. Average inflation in 2022 accelerated at 5.8% from 3.9% the previous year amid higher food inflation and global oil prices. It reached its highest level during the year at 8.1% in December. The war between Russia and Ukraine that started in February also contributed to inflationary pressures as commodity and global oil prices spiked. To control inflation acceleration and anchor inflation expectations, the BSP implemented restrictive monetary policy by increasing interest rates. It raised rates last year by a total of 350 bps since May 2022 to 5.50%. BSP's policy decision was also made in support of the Philippine Peso, which reached its weakest at Php 59.00 against the USD in October, following the Fed's decision to raise rates by a total of 425 bps.

#### OUTLOOK

Although average inflation for 2023 is still expected to exceed the 2-4% target range of the BSP, the impact of cumulative policy rate hikes will likely put a ceiling on the level of inflation. However, upside risks remain from supply constraints and volatility in global oil prices. Nonetheless, slower global economic growth outlook for 2023 will likely put downward pressure in global oil prices and in turn minimize its impact to inflation. Deceleration in inflation will provide room for both the Fed and the BSP to implement less aggressive monetary policy and eventually consider taking a pause in their respective tightening cycle.

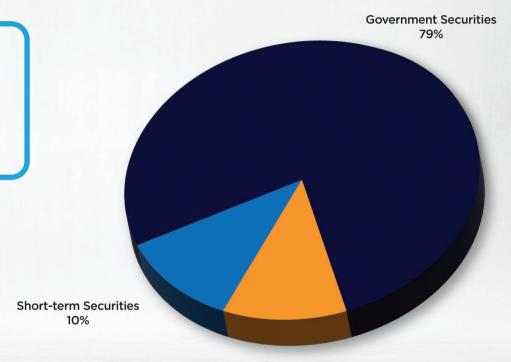


## **PESO FIXED INCOME FUND**

**Fund Distribution by Market Value** 

#### **TOP HOLDINGS**

Philippine Government Bonds due 2023 Philippine Government Bonds due 2027 Philippine Government Bonds due 2037 Philippine Government Bonds due 2024 Philippine Government Bonds due 2025



Corporate Securities 11%



# EQUITY FUND

## **INSULAR LIFE WEALTH SERIES FUNDS**

#### **FUND PERFORMANCE**

The Equity Fund closed the year with a NAVPU of Php 3.899971, down by 8.9% from the previous year. The Fund underperformed the Philippine Stock Exchange (PSEi), which posted a decline of 7.8% for the year.

Volatility of the Fund was lower at 15.9% versus the PSEi's 20.6% (Note: The volatility was based on the annualized standard deviation of daily returns of the portfolio and the PSEi).

The Fund maintains its exposure across all sectors of the market, favoring holding firms, consumer-related companies, and property developers. The cash position of the Fund was 8.3% by year-end as we prepare for a recovery year in 2023.

For 2023, the Fund will retain its diversified position across the business sectors of the country. Focus will be maintained in the conglomerate and consumer sector, with a long-term view of an expanding economy given the continuing drive to improve infrastructure and a resilient consumer base.

#### MARKET REVIEW

The Philippine stock market started the year with high hopes as the COVID-19 pandemic seemed to be behind us. The economy was practically reopened, but the much-awaited market rebound to pre-pandemic levels has yet to materialize. Then the market was caught off-guard as Russia invaded Ukraine in a full-scale armed conflict. Commodity prices were on the rise already amid supply chain disruptions and growing demand as the global economy recovered from the pandemic. But the Russia Ukraine conflict resulted to further commodity price increases and exacerbated global inflationary pressures.

Developments on inflation and interest rates were the main narratives that drove market sentiment throughout the year.

The US economy was not immune to inflation woes as food and energy prices were on the rise. The US Fed was quick to respond as they raised policy rates aggressively, which also resulted in the strengthening of the USD against other currencies. Our very own BSP had no choice but to raise policy rates as well to fight domestic inflation as well as to keep the USD/PHP exchange rate steady.

High inflation and rising interest rate environment dampened market sentiment and discouraged investors from making big bets on the local equities market. The Philippine Stock Exchange Index (PSEi) ended the year at 6,566.39, down by 7.8% from the previous year.

#### **OUTLOOK**

Volatility may persist for local equities in 2023 as we view inflation and interest rates to remain elevated at least in the first half of the year. Nonetheless, pockets of opportunities in the market can be seen especially for long-term investors.

Economic reopening is in full swing with "revenge spending" and "revenge travel" both fueling economic activity further. Improving unemployment rate and solid OFW remittances will remain supportive of consumer spending moving forward. Foreign funds may come back eventually as they take notice that valuations stay cheap while corporate earnings are on track to breach pre-pandemic levels soon.

Moreover, as the intended impact of BSP policy rate hikes takes effect, we should see inflation starting to ease. This may also signal that the BSP tightening cycle can end, paving the way for a turnaround in market sentiment.

Throughout the years, investors have been rewarded repeatedly for taking a long-term view of the market. As we rise above this crisis, the fundamental value of the companies we invested in will be realized.



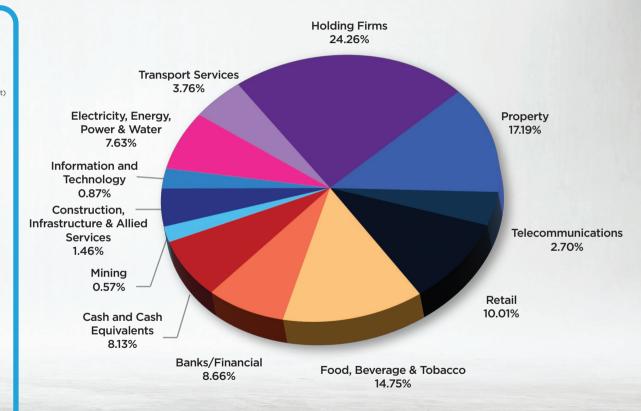
#### **EQUITY FUND**

#### **Fund Distribution by Market Value**

#### **EQUITY FUND STOCK LIST**

As of December 31, 2022

ACEN AEV AGI ALI Ayala Corporation AC Energy Philippines, Inc. Aboitiz Equity Ventures Alliance Global Inc. Avala Land Inc. AyalaLand Logistics Holdings Corp. ALLHO AyaiaLand Logistics Holdings Corp. Abolitz Power Corporation AREIT, Inc. (Ayala Land Real Estate Investment Trust) BDO UniBank, Inc. Bank of the Philippine Islands ARFIT AREII BDO BPI CEB CNPF CNVRG CREIT DDMPR DMC DNL debu Air, Inc., Century Pacific Food, Inc., Century Pacific Food, Inc., Converge ICT Solutions, Inc., Citicore Energy REIT Corp., DDMP REIT, Inc., DMCI Holdings, Inc., D and L Industries, Inc. EEI Corporation East West Banking Corporation SMC Food & Beverage
Filinyest Development Corporation FDC FGEN FILRT FirstGen Corporation Filinvest Land Inc. First Philippine Holdings FPH GLO GTCAP Globe Telecom, Inc.
GT Capital Holdings, Inc.
International Container Terminal Services, Inc. JFC JFC JGS MAC MAXS MBT MEG MER Jollibee Foods Corporation JG Summit Holdings, Inc. MacroAsia Corp. Max's Group, Corp. Metrobank and Trust Co. Megaworld Corporation Manila Electric Co. Monde Nissin Corp. MONDE MPI MREIT Metro Pacific Investments, Corp. MREIT, Inc. Manila Water Co. MWC Megawide Construction Corp. Philippine Business Bank MWIDE PBB PCOR PGOLD PIZZA Petron Corporation Puregold Price Club. Inc. Puregold Price Club, Inc.
Shakey's Pizza
Robinsons Commercial REIT Corp.
Robinsons Land Corporation RCR RLC RRHI SCC SECB SHLPH SM SMC SMPH SSI TEL URC Robinsons Retail Holdings, Inc. Semirara Power & Mining Corporation Security Bank Corporation Pilipinas Shell Petroleum Corporation SM Investments Corp. San Miguel Corp. SM Prime Holdings, Inc. SSI Group, Inc. Universal Robina Corporation Vista Land and Lifescapes, Inc. Vista REIT, Inc. Wilcon Depot, Inc.





VREIT WLCON

## PESO GLOBAL EQUITY FUND

## FUND PERFORMANCE

The Peso Global Equity Fund (PGEF) invests solely in a local fund that feeds into a target fund known as Fidelity Funds' Global Dividend Fund. The target fund invests principally in income producing equity securities globally.

In 2022, the target fund offered some downside cushion in a sharply falling market due to its defensive bias, resulting to a lower decline compared to its benchmark. Its overweight stance in financials, combined with its underweight allocation to the communication services and information technology (IT) sectors, were notable contributors to relative performance. The lack of exposure to energy, which was the only sector to deliver positive returns over the year, was the main detractor from returns. Amidst the year's challenging environment, PGEF declined by only 3.26% and ended the year with Net Asset Value per Unit (NAVPU) of Php 1.307073.

#### **MARKET REVIEW**

Global equity markets posted negative performance in 2022 after three consecutive years of strong absolute performance. In 2022, markets had their worst yearly decline since the Global Financial Crisis of 2008.

The year began with inflation surging higher along with supply chain issues as COVID-19 cases finally came under control in most parts of the world except China which was under a strict lockdown policy until the last month of the year.

Europe's energy crisis emerged following Russia's invasion of Ukraine. Major central banks increased rates aggressively, often by more than expected, as they attempted to contain inflation. Against this backdrop, all sectors except energy ended in negative territory in US dollar terms, with consumer discretionary and communication services emerging as the bottom performers.

#### **OUTLOOK**

2022 served as a reminder of the importance of valuation. The increase in cost of capital last year led to compressed valuations across the market but with an

## **INSULAR LIFE WEALTH SERIES FUNDS**

outsized impact on growth stocks which had previously been the big winners of an accommodative monetary policy. As recession risks have mounted the more defensive parts of the market have also offered relative protection.

The drawdown experienced in 2022 was driven by multiple compression however the earnings outlook is now deteriorating. There is already significant, broad-based, downward momentum in global earnings estimates. The target fund managers remain focused on investing in attractively valued stable businesses with strong balance sheets, resilient earnings and higher margins which should drive a strong risk-adjusted return, alongside an attractive yield and a growing dividend.

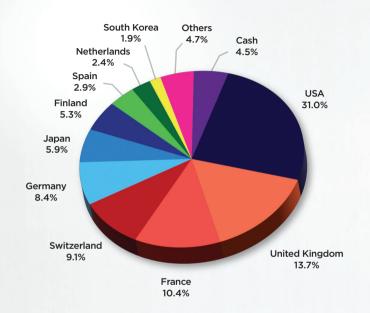
Regional and sector weightings are an outcome of the strategy's unconstrained, bottom up-process. they remain well diversified on both counts. They monitor geographical risk from the country of domicile, but more usefully, by underlying revenues. Their European holdings are generally global businesses, with limited sensitivity to the domestic economy. The target fund's relative sales exposure to Europe is much smaller than indicated by domicile weights. Similarly, its UK holdings are high quality global businesses.

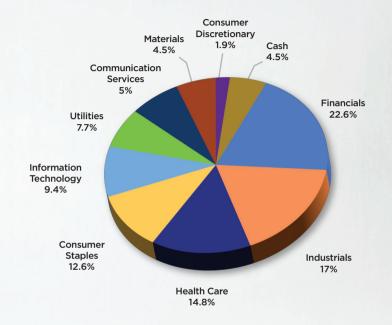
At a sector level, they have a strong preference for the simpler and more stable businesses within financials - they prefer general insurance to the highly opaque life insurance subsector, and now own no banks. In more cyclical parts of the market, the target fund owns a number of mature businesses in the technology space, particularly in the semiconductor and hardware companies, that meet its investment criteria. The target fund managers prefer high-quality industrial businesses, where they own large positions in information services businesses, as well as high quality capital goods businesses. Other large sector positions are held in consumer staples, health care and utilities. These are more classically 'defensive' businesses which seek out diversified businesses in strong end markets. The target fund currently has limited exposure to commodities stocks, given their exposure to underlying commodity prices - a factor outside of their control, and minimal holdings in the consumer discretionary sector.



#### **PESO GLOBAL EQUITY FUND**

**Fund Distribution by Market Value** 





TARGET FUND'S TOP 10 HOLDINGS As of December 31, 2022 Unilever Plc
Relx Plc
Sanofi
Deutsche Boerse AG
Zurich Ins Group Ltd

4.50%

4.00%

3.50%

3.50%

3.10%

Novartis AG 3.10%
Omnicom Group Inc 3.10%
Colgate-Palmolive Co 3.00%
Roche Holding AG 2.90%
Sampo Oyi 2.90%



# GROWTH FUND

## **INSULAR LIFE WEALTH SERIES FUNDS**

#### **FUND PERFORMANCE**

Growth Fund closed 2022 with a NAVPU of Php 1.348461, down by 11.4% from the previous year. The Fund underperformed the Philippine Stock Exchange Index (PSEi), which declined by 7.8% year on year. Underperformance was due to the bias of the Fund towards cyclical names particularly in the property and consumer discretionary sectors which were heavily weighed down by high inflation and elevated interest rates.

Volatility of the Fund was lower at 16.7% versus the PSEi's 20.6% (Note: The volatility was based on the annualized standard deviation of daily returns of the portfolio and the PSEi).

The Fund was biased on companies exposed in cyclical sectors expected to benefit from post pandemic reopening, which was hindered by inflationary pressures brought by the Russia Ukraine conflict. The cash position of the Fund was 8.8% to position for volatility next year.

For 2023, the Fund will maintain its overweight positions on cyclical stocks but with focus on big caps as we expect inflation and interest rates to normalize.

#### MARKET REVIEW

The Philippine stock market started the year with high hopes as the COVID-19 pandemic seemed to be behind us. The economy was practically reopened already but the much-awaited market rebound to pre-pandemic levels has yet to materialize. Developments on inflation and interest rates were the main narratives that drove market sentiment throughout the year.

The market was caught off-guard as Russia invaded Ukraine in a full-scale armed conflict. Commodity prices were on the rise already amid supply chain disruptions and growing demand as the global economy recovered from the pandemic. But the Russia Ukraine conflict resulted to further

commodity price increases and exacerbated global inflationary pressures.

The US economy was not immune to inflation woes as food and energy prices were on the rise. The US Fed was quick to respond as they raised policy rates aggressively, which also resulted in the strengthening of the USD against other currencies. Our very own BSP had no choice but to raise policy rates as well to fight domestic inflation as well as to keep the USD/PHP exchange rate steady.

High inflation and rising interest rate environment dampened market sentiment and discouraged investors from making big bets on the local equities market. The Philippine Stock Exchange Index (PSEi) ended the year at 6,566.39, down by 7.8% from the previous year.

#### **OUTLOOK**

Volatility may persist for local equities in 2023 as we view inflation and interest rates to remain elevated at least in the first half of the year. Nonetheless, pockets of opportunities in the market can be seen especially for long-term investors.

Economic reopening is in full swing with "revenge spending" and "revenge travel" both fueling economic activity further. Improving unemployment rate and solid OFW remittances will remain supportive of consumer spending moving forward. Foreign funds may come back eventually as they take notice that valuations stay cheap while corporate earnings are on track to breach pre-pandemic levels soon.

Moreover, as the intended impact of BSP policy rate hikes takes effect, we should see inflation starting to ease. This may also signal that the BSP tightening cycle can end, paving the way for a turnaround in market sentiment.

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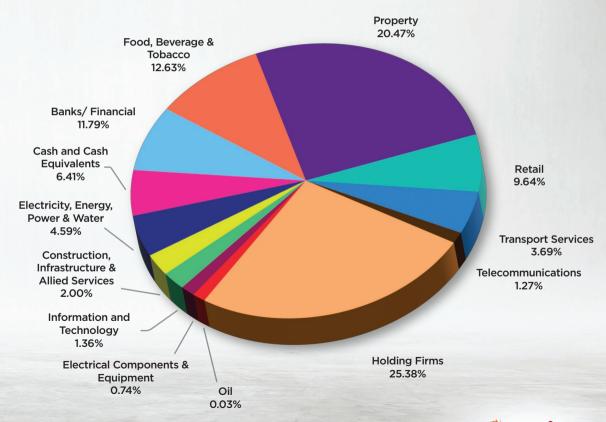
## **GROWTH FUND**

**Fund Distribution by Market Value** 

#### **GROWTH FUND STOCK LIST**

As of December 31, 2022

Avala Corporation ACEN AC Energy Philippines, Inc. AEV Aboitiz Equity Ventures, Inc. AGI Alliance Global Inc. ALI Avala Land, Inc. AP Aboitiz Power Corporation BDO BDO UniBank, Inc. CIC Concepcion Industrial Corporation Cebu Landmasters, Inc. Century Pacific Food, Inc. Converge ICT Solutions, Inc. CNPF CNVRG DELM Citicore Energy REIT Corp. DMC Del Monte Pacific Ltd. DNL DMCI Holdings, Inc. EAGLE D and L Industries, Inc. EEI Corporation EW East West Banking Corporation San Miguel Food & Beverage, Inc. FB FGEN FirstGen Corporation FPH First Philippine Holdings GT Capital Holdings, Inc. GTCAP ICT International Container Terminal Services, Inc. JGS JG Summit Holdings, Inc. MAC MacoAsia Corp. MAXS Max's Group, Inc. Metropolitan Bank and Trust Company MBT MEG Megaworld Corporation MONDE Monde Nissin Corp Metro Pacific Investments MWIDE Megawide Construction Corp. Philippine Business Bank PCOR Petron Corporation Puregold Price Club. Inc. PGOLD PXP Philex Petroleum Corporation RLC Robinsons Land Corporation RRHI Robinsons Retail Holdings, Inc. SECB Security Bank Corporation SHLPH Pilipinas Shell Petroleum Corporation SM Investments Corp. SMC San Miguel Corporation SMPH SM Prime Corporation





Wilcon Depot, Inc.

SSI Group, Inc.

Universal Robina Corporation

Vista Land and Lifescapes, Inc.

PLDT. Inc.

SSI

TEL

URC

WLCON

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

#### **FUND PERFORMANCE**

ONEF closed 2022 at Php 0.852375, down by 11.3% from the previous year. The Fund underperformed the Philippine Stock Exchange Index (PSEi), which was down by 7.8% for the year. The underperformance was due to the bias of the Fund toward consumer stocks, which were adversely affected by high inflation and rising interest rates during the year.

Volatility of the Fund was lower at 16.2% versus the PSEi's 20.6% (Note: The volatility was based on the annualized standard deviation of daily returns of the portfolio and the PSEi).

The Fund remains focused in consumer related stocks as the Philippines is a consumer driven economy. The portfolio composition of the Fund is consistent with its mandate of representing the GDP drivers of the country.

The cash position of the Fund was 15.5% by year-end on expectations of a recovery of consumer spending in 2023.

#### **MARKET REVIEW**

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## **INSULAR LIFE WEALTH SERIES FUNDS**

The US economy was not immune to inflation woes as food and energy prices were on the rise. The US Fed was quick to respond as they raised policy rates aggressively, which also resulted in the strengthening of the USD against other currencies. Our very own BSP had no choice but to raise policy rates as well to fight domestic inflation as well as to keep the USD/PHP exchange rate steady.

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

**Fund Distribution by Market Value** 

#### O.N.E. FUND STOCK LIST

As of December 31, 2022

AC Ayala Corporation ACEN AC Energy Philippines, Inc. ALI Avala Land Inc. AP Aboitiz Power Corporation BDO BDO UniBank, Inc. CNPF Century Pacific Food, Inc. CNVRG Converge ICT Solutions, Inc. DMC DMCI Holdings, Inc. FFI **EEI** Corporation FB SMC Food & Beverage **FGEN** FirstGen Corporation GLO Globe Telecom, Inc. JFC. Jollibee Foods Corporation

MAC MacroAsia Corp.

MAXS Max's Group, Corp.

MER Manila Electric Company

MONDE Monde Nissin Corp.

MPI Metro Pacific Investments, Corp.
MWIDE Megawide Construction Corp.
PGOLD Puregold Price Club, Inc.

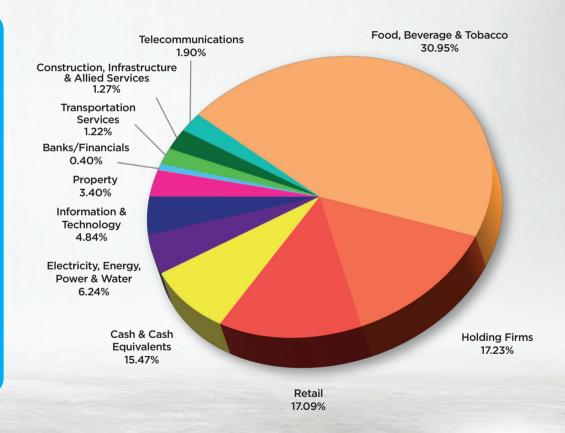
PIZZA Shakey's Pizza Asia Ventures, Inc.
RLC Robinsons Land Corporation
RRHI Robinsons Retail Holdings, Inc.
SHLPH Pilipinas Shell Petroleum Corporation

SM SM Investments Corp.
SMPH SM Prime Holdings, Inc.

TEL PLDT, Inc.

URxC Universal Robina Corporation

WLCON Wilcon Depot, Inc.





## SELECT EQUITIES FUND

## **INSULAR LIFE WEALTH SERIES FUNDS**

#### **FUND PERFORMANCE**

SEF NAVPU closed 2022 at Php 0.757145, down by 9.0% from the previous year. The Fund underperformed the Philippine Stock Exchange Index (PSEi), which was down 7.8% for the year. The Fund was outperforming the PSEI but was adversely affected when PLDT was sold down towards the year end after the issue on alleged "budget overrun" made headlines.

SEF volatility of 20.3% was in line with PSEi's 20.6% (Note: The volatility was based on the annualized standard deviation of daily returns of the portfolio and the PSEi).

#### MARKET REVIEW

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## COMPOSITION OF SEF AS OF 31 DECEMBER 2022 IS AS FOLLOWS:

AC Ayala Corporation
ACEN\* ACEN Corporation\*
ALI Ayala Land, Inc.
BDO BDO Unibank

BPI Bank of the Philippine Islands

MBT Metropolitan Bank and Trust Company

MEG Megaworld Corporation

MPI Metro Pacific Investments Corporation

SECB Security Bank Corporation SM SM Investments Corporation SMPH SM Prime Holdings Corporation

TEL Pldt. Inc.

#### **Reserve List**

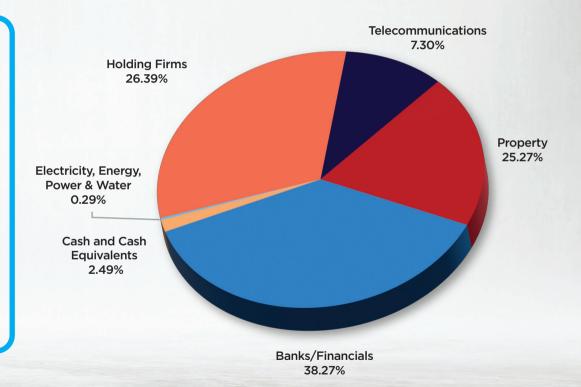
URC

GLO Globe Telecom, Inc.
GTCAP GT Capital Holdings, Inc.

ICT Int'l Container Terminal Services, Inc.
JGS JG Summit Holdings, Inc.

\*ACEN - property dividends of AC, which will be sold once shares get credited to portfolio

Universal Robina Corporation





# GUARDIAN FUND

## **INSULAR LIFE WEALTH SERIES FUNDS**

#### **FUND PERFORMANCE**

Guardian Fund NAVPU closed 2022 at Php 0.552942, down 16.4% from the previous year. The Fund underperformed the Philippine Stock Exchange Index (PSEi), which was down by 7.8% for the year.

Volatility of the Fund remained lower at 18.6% versus the PSEi's 20.6% (Note: The volatility was based on the annualized standard deviation of daily returns of the portfolio and the PSEi).

Cash position was at 11.8% to provide more cushion as the Fund gets ready for market volatility next year.

#### **MARKET REVIEW**

The Philippine stock market started the year with high hopes as the COVID-19 pandemic seemed to be behind us. The economy was practically reopened already but the much-awaited market rebound to pre-pandemic levels has yet to materialize. Developments on inflation and interest rates were the main narratives that drove market sentiment throughout the year.

The market was caught off-guard as Russia invaded Ukraine in a full-scale armed conflict. Commodity prices were on the rise already amid supply chain disruptions and growing demand as the global economy recovered from the pandemic. But the Russia Ukraine conflict resulted to further commodity price increases and exacerbated global inflationary pressures.

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Moreover, as the intended impact of BSP policy rate hikes takes effect, we should see inflation starting to ease. This may also signal that the BSP tightening cycle can end, paving the way for a turnaround in market sentiment.

Throughout the years, investors have been rewarded repeatedly for taking a long-term view of the market. As we rise above this crisis, the fundamental value of the companies we invested in will be realized.



# GUARDIAN FUND Fund Distribution by Market Value

## COMPOSITION OF GUARDIAN FUND AS OF 31 DECEMBER 2022 IS AS FOLLOWS:

AC Ayala Corporation

ACEN\* ACEN Corporation\*

FGEN First Gen Corporation

DNL D and L Industries, Inc.

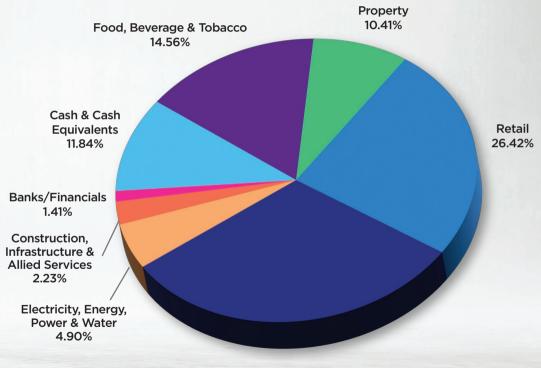
GTCAP GT Capital Holdings, Inc.

JGS JG Summit Holdings, Inc.

MWIDE Megawide Construction Corporation

PGOLD Puregold Price Club, Inc.
RLC Robinsons Land Corporation
RRHI Robinsons Retail Holdings, Inc.
SECB Security Bank Corporation

\*ACEN - property dividends of AC, which will be sold once shares get credited to portfolio



Holding Firms 28.22%



# BALANCED FUND

### **INSULAR LIFE WEALTH SERIES FUNDS**

**FUND PERFORMANCE** 

Balanced Fund ended the year with a NAVPU of Php 2.837212, down 6.2% from the previous year. The Fund continues to have a balanced exposure in Equities and Fixed Income through InLife's VUL Equity Fund and Peso Fixed Income Fund.

#### **MARKET REVIEW**

The Philippine Stock Exchange Index (PSEi) ended the year lower by 7.8% at 6,566.39 as high inflation and rising interest rate environment dampened market sentiment and discouraged investors to make big bets into the local equities market. Same factors also affected the movement in the local bond market as yields increased by 274 bps on average in 2022.

Inflationary pressures were exacerbated by the Russia-Ukraine conflict as commodity and energy prices rose following the invasion. The U.S. economy also experienced inflation woes but the Fed was quick to respond as they raised policy rates aggressively, which also resulted to the strengthening of the USD against other currencies. The depreciation of the PHP, as well as the elevated domestic inflation urged the BSP to raise policy rates.

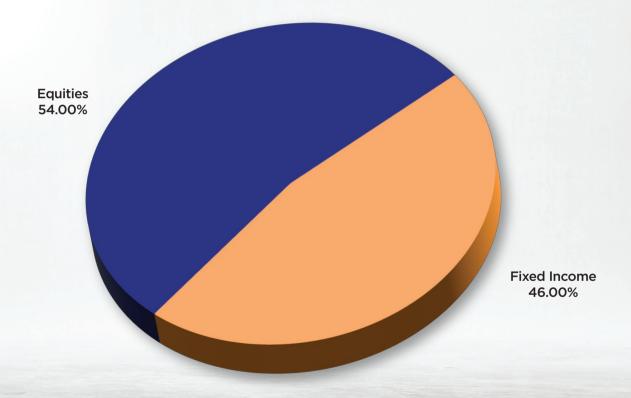
#### OUTLOOK

Volatility may persist for local equities in 2023 as we view inflation and interest rates to remain elevated at least in the first half of the year. Nonetheless, pockets of opportunities in the market can be seen especially for long-term investors. Economic reopening is expected to fuel economic activity and improved unemployment rate, as well as solid OFW remittances will remain supportive of consumer spending.

Impact of cumulative BSP policy rate hikes in 2022 will likely put a ceiling on the level of inflation this year, but upside risks remain from supply constraints and volatility in global oil prices. Deceleration in inflation will provide room for both the Fed and the BSP to implement less aggressive monetary policy and eventually consider taking a pause in their respective tightening cycle.









## **DOLLAR FIXED INCOME FUND**

#### **FUND PERFORMANCE**

In 2022, ROP vield curve shifted upwards, tracking movement in US Treasury yield curve. As yields move in opposite direction from prices, the Dollar Fixed Income Fund declined by 12.9% YoY to USD 1.505906 Net Asset Value per Unit (NAVPU) in 2022. The Fund continues to invest in a mix of ROPs, corporate bonds, and short-term securities.

#### **MARKET REVIEW**

Elevated inflation and aggressive monetary policy tightening were the main themes in 2022 as U.S. inflation registered new highs during the year. U.S. inflation reached a peak of 9.1% in June, bringing full year average inflation at 8.0%. Russia's invasion of Ukraine added to inflationary pressures as prices of global crude oil and key commodities trended higher following the invasion. In this backdrop, the Fed raised rates by a total of 425 bps, bringing the fed funds rate at 4.25% to 4.50%, exceeding pre-pandemic levels and near pre-Global Financial Crisis levels. As financial conditions tightened, concerns over global economic growth trickled in.

Onshore inflation started to show significant signs of inflationary pressures following the Russia-Ukraine war. In 2022, average inflation reported was 5.8%, higher than the 3.9% print the previous year. To manage inflation expectations and to tame further acceleration in inflation, the BSP decided to raise interest rates by 350 bps to 5.50%.

## **INSULAR LIFE WEALTH SERIES FUNDS**

#### **OUTLOOK**

Focus will likely be set on the possibility of less aggressive tightening in the U.S. next year following the peak in inflation seen in June. Concerns on U.S. economic growth are expected to spill over in 2023 as investors assess the economic impact of recent policy decisions by the Fed. For the Philippines, succeeding monetary policy moves remain uncertain as inflation continued to register new highs. Any signs of disinflation will be closely monitored as this could provide cues to the BSP monetary policy path moving forward.

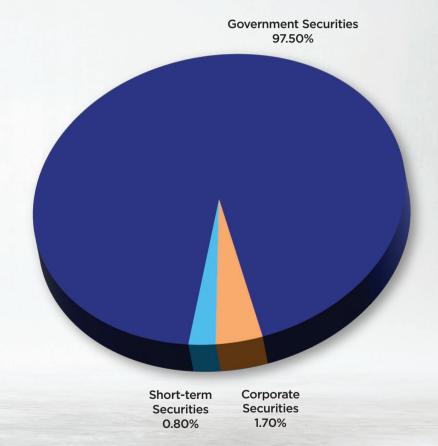


## **DOLLAR FIXED INCOME FUND**

**Fund Distribution by Market Value** 

#### **TOP HOLDINGS as of December 31, 2022**

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





# DOLLAR OPPORTUNITY FUND

## **INSULAR LIFE WEALTH SERIES FUNDS**

passage of the Inflation Reduction Act of 2022, which has helped accelerate EV penetration rates through tax credits.

#### **FUND PERFORMANCE**

The Dollar Opportunity Fund (DOF) invests solely in a local fund that feeds into a target fund known as Franklin Templeton's U.S. Opportunities Fund. The target fund invests principally in equity securities of US companies believed to possess sustainable growth characteristics and which meet growth, quality and valuation criteria. US equities, as measured by the Standard & Poor's 500 (S&P 500) Index, declined over the 12 months ended 31 December 2022, making it their worst calendar-year performance since the 2008 global financial crisis. High inflation, rising interest rates and geopolitical instability contributed to a sharp decline in equity prices and contracting economic growth in the first half of the reporting period. Nevertheless, consumer spending continued to rise, but deteriorating financial conditions and investors' expectations for slower growth continued to weigh on equity markets. In July, inflation increased to its highest annual rate since 1981. The US Federal Reserve shifted to a restricted monetary policy and ended the year with the federal funds target rate at a range of 4.25%-4.50%. In 2022, DOF declined by 38.27% and ended the year with Net Asset Value per Unit (NAVPU) of USD 0.732210.

#### **MARKET REVIEW**

Rising interest rates disproportionately hurt interest-rate-sensitive growth stocks in 2022 and took a toll on many companies in the information technology (IT) sector, which was the fund's largest sector exposure over the period. Positions in e-commerce specialist Shopify and payment solutions provider Bill.com Holdings followed markets lower despite the view of their strong fundamentals.

In the consumer discretionary sector, supply-chain snarls and parts shortages were headwinds for electric vehicle (EV) manufacturer Rivian Automotive, which missed its 2022 vehicle production targets. The target fund Managers continue to believe the long-term outlook for EV adoption in the United States and globally is robust. Conversely, negative headlines about Tesla and its chief executive officer, combined with investor concerns about consumer demand, weighed on Tesla's stock, which lost substantial value over the period. The target fund benefitted from an underweighting in (EV) manufacturer. While EV companies have seen significant valuation compression in recent months, they believe there are improving long-term fundaments for the industry, such as the

#### **OUTLOOK**

Coming into 2023, the target fund managers see an evolving economic backdrop. They expect inflation to moderate in the first half of the year but remain elevated relative to recent history. The Fed has started slowing the pace of interest-rate increases and is likely to become more data dependent regarding the direction of monetary policy as recent rate increases work their way through the economy. They believe the probability of a severe US recession in 2023 is relatively low, but growth will be pressured.

As active managers and fundamental stock pickers, they continually seek to take advantage of the temporary price dislocations created by unsettled markets. Their focus remains on investing in what they consider high-quality businesses with sustainable growth drivers that may not be reflected in current valuations. Many of these investments are levered to secular growth themes that they believe can potentially deliver consistent long-term performance. To do this, they rely on bottom-up, fundamental research capabilities and leverage their in-house team of analysts to uncover promising companies that have the potential to become market leaders.

The target fund managers consider digital transformation to be an important secular growth theme that can drive productivity, lower costs and increase profitability for companies. It is not just a technology-driven trend, but one that is broadly permeating other areas of the economy in the form of health care innovation, digital customer engagement, factory automation and the integration of financial technologies. Their focus for US equities in 2023 will be on profit margins and earnings as consumers and corporations adjust to the changing economic environment, particularly in highly cyclical segments of the market. As such, it will be a year for active management, and idiosyncratic factors—as opposed to macro factors, which may lead to high correlations—will likely drive returns.

The target fund invests in quality growth businesses that is believed to have robust competitive positions, strong pricing power and healthy financials. Major secular themes, such as digital transformation and health care innovation, lead the target fund managers to both established and emerging growth players in various sectors. The main sector exposure is in IT, where preference is on software companies, followed by health care and consumer discretionary sectors.





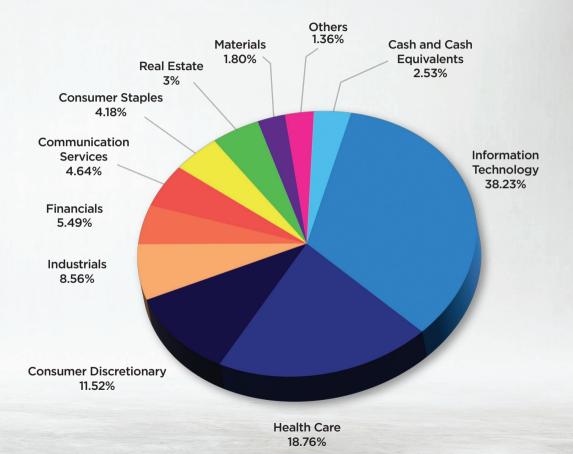
### **DOLLAR OPPORTUNITY FUND**

**Fund Distribution by Market Value** 

#### **TARGET FUND'S TOP 10 HOLDINGS**

As of December 31, 2022

Mastercard, Inc.	5.70%
Microsoft Corp	5.30%
Apple Inc.	4.80%
Amazon.com, Inc.	4.60%
UnitedHealth Group Inc	3.60%
Alphabet Inc.	3.20%
Danaher Corp.	3.00%
SBA Communications Corp	3.00%
ServiceNow Inc	2.50%
Eli Lilly & Co	2.40%





## RECOVERY EQUITY FUND

## **INSULAR LIFE WEALTH SERIES FUNDS**

#### **FUND PERFORMANCE**

Recovery Equity Fund closed 2022 with a NAVPU of Php 0.928035, down by 13.8% from the previous year. The Fund underperformed the Philippine Stock Exchange Index (PSEi), which declined by 7.8% year on year. Underperformance was due to the Fund's active bias towards cyclical sectors that were viewed to benefit from post-pandemic recovery. Unfortunately, these sectors were vulnerable to high inflation and rising interest rates that persisted throughout the year following the Russia-Ukraine conflict.

Volatility of the Fund was lower at 18.1% versus the PSEi's 20.6% (Note: The volatility was based on the annualized standard deviation of daily returns of the portfolio and the PSEi).

For 2023, the Fund will remain opportunistic and will slowly recalibrate positions to create a portfolio that can adapt to current market conditions.

#### **MARKET REVIEW**

The Philippine stock market started the year with high hopes as the COVID-19 pandemic seemed to be behind us. The economy was practically reopened already but the much-awaited market rebound to pre-pandemic levels has yet to materialize. Developments on inflation and interest rates were the main narratives that drove market sentiment throughout the year.

The market was caught off-guard as Russia invaded Ukraine in a full-scale armed conflict. Commodity prices were on the rise already amid supply chain disruptions and growing demand as the global economy recovered from the pandemic. But the Russia-Ukraine conflict resulted in further commodity price increases and exacerbated global inflationary pressures.

The US economy was not immune to inflation woes as food and energy prices were on the rise. The US Fed was quick to respond as they raised policy rates aggressively, which also resulted in the strengthening of the USD against other currencies. Our very own BSP had no choice but to raise policy rates as well to fight domestic inflation as well as to keep the USD/PHP exchange rate steady.

High inflation and rising interest rate environment dampened market sentiment and discouraged investors from making big bets on the local equities market. The Philippine Stock Exchange Index (PSEi) ended the year at 6,566.39, down by 7.8% from the previous year.

#### **OUTLOOK**

Volatility may persist for local equities in 2023 as we view inflation and interest rates to remain elevated at least in the first half of the year. Nonetheless, pockets of opportunities in the market can be seen especially for long-term investors.

Economic reopening is in full swing with "revenge spending" and "revenge travel" both fueling economic activity further. Improving unemployment rate and solid OFW remittances will remain supportive of consumer spending moving forward. Foreign funds may come back eventually as they take notice that valuations stay cheap while corporate earnings are on track to breach pre-pandemic levels soon.

Moreover, as the intended impact of BSP policy rate hikes takes effect, we should see inflation starting to ease. This may also signal that the BSP tightening cycle can end, paving the way for a turnaround in market sentiment.

Throughout the years, investors have been rewarded repeatedly for taking a long-term view of the market. As we rise above this crisis, the fundamental value of the companies we invested in will be realized.





### **RECOVERY EQUITY FUND**

**Fund Distribution by Market Value** 

#### **RECOVERY EQUITY FUND STOCK LIST**

As of December 31, 2022

AC Ayala Corporation

ALI AC Energy Philippines, Inc.
AP Ayala Land Inc.

BDO BDO UniBank, Inc.

NVRG Converge ICT Solutions, Inc.

CREIT Citicore Energy REIT Corp.

DMW DM WENCESLAO AND ASSOCIATES INC. - Common Shares
DNI D and I Industries Inc.

DNL D and L Industries, Inc.
FGEN FirstGen Corporation
GTCAP GT Capital Holdings, Inc.

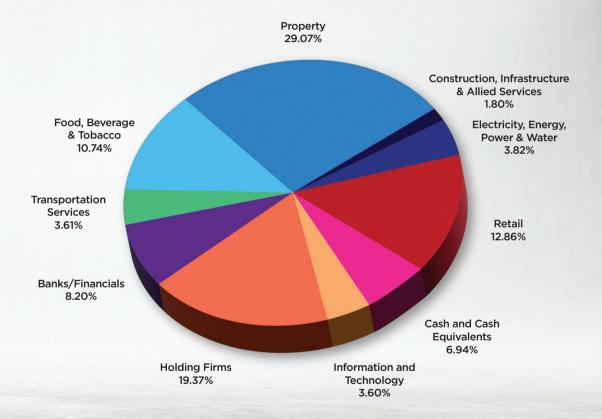
CT International Container Terminal Services, Inc.

MAC MacroAsia Corp.

MBT Metrobank and Trust Co.
MWIDE Megawide Construction Corp.
PGOLD Puregold Price Club, Inc.
RCL Robinsons Land Corporation
RRHI Robinsons Retail Holdings, Inc.

SECB Security Bank Corporation
SM SM Investments Corp.
SMPH SM Prime Holdings, Inc.
URC Universal Robina Corporation

VLL Vista Land and Lifescapes, Inc.





## PESO GLOBAL TECHNOLOGY FUND

#### FUND PERFORMANCE

The Peso Global Technology Fund (PGTF) invests solely in a local fund that feeds into a target fund known as Fidelity Funds' Global Technology Fund. The target fund invests principally in the equity securities of companies throughout the world that have, or will, develop products, processes or services that will provide, or will benefit significantly from, technological advances and improvements.

Despite declining in 2022, the target fund outperformed the comparative index (MSCI ACWI Information Technology Index). Stock selection in the software, semiconductors & semiconductor equipment and IT services sub-sectors contributed to returns during the year. However, the underweight stance in the technology hardware, storage & peripherals segment and security selection in interactive media & services held back performance. PGTF declined by 16.7% and ended the year with Net Asset Value per Unit (NAVPU) of Php 1.361177.

#### MARKET REVIEW

Global equity markets fell over the year marked by heightened volatility and sharp shifts in sector and style factor preferences as investors attempted to come to terms with persistent recessionary fears, interest rate hikes, the energy crisis in Europe and UK's government unfunded fiscal stimulus. However, stocks saw some support, as the US Federal Reserve (Fed) signaled a pivot in monetary policy away from ultra-aggressive interest rate hikes to counter inflation. Markets also reacted positively to the relaxation of COVID-19 controls and measures taken to support the real estate market in China.

As widely expected, the Fed hiked interest rates, pushing borrowing costs to the highest since 2008. The European Central Bank also raised its key interest rates to the highest level in over a decade. However, easing US inflation print in the last quarter of 2022 led to optimism about a reversal in policy stance.

Against this backdrop, the energy (supported by a rally in crude oil prices) sector was the leading performer, whereas investors moved away from growth-oriented

## **INSULAR LIFE WEALTH SERIES FUNDS**

sectors such as information technology (IT) and consumer discretionary. From a style perspective, small-cap and value stocks performed better than their large cap and growth counterparts. IT was among the leading underperformers over the year owing to investor preference for value over growth, amidst consistent market volatility.

#### **OUTLOOK**

Overall, the market outlook for 2023 remains cautious. There is a clear sense that the economy is slowing down. Consumer spending is weakening, and corporate budgets are tightening, and the market is pricing in weak demand. It remains to be seen how long and further the weakness will go, and when things will get better. The target fund manager will focus on finding stocks where longer-term earnings power is underappreciated. In the volatile and tighter money environment seen this year, markets have been unforgiving of even relatively small misses. Investors have switched from the excessive optimism of recent years to excessive pessimism.

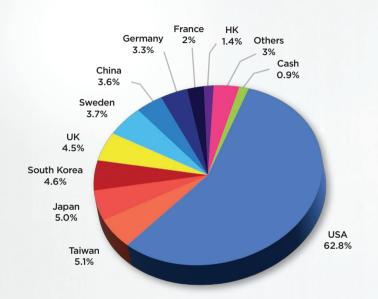
Mega caps have also been victims of a change in investor perception. The unusual circumstances which drove their very strong performance during the pandemic were a one off but led many to think of these as safe havens. Markets are now realizing that these are also susceptible to some slowdown, while the negative effects of the strong dollar on their earnings had not been fully priced in. The target fund manager remains positive on the long-term prospects for several of them, but it is always important to view them on a case-by-case basis.

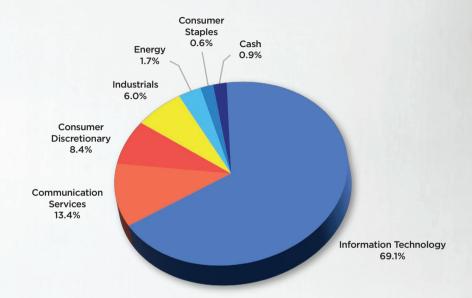
Despite the short-term cyclical headwinds, the global technology opportunity set remains diverse and wide ranging. Balance sheets remain generally strong, while a lot of technology business models are recurring in nature, with firms getting better at monetizing customer engagement. This makes for a more stable demand environment than in the past. Inflation is a concern, but companies are raising prices as cost increases - be it semiconductor price increase, CPI-linked software pricing, or the take rate business model of internet platforms and payment networks. Looking beyond the current uncertain macro environment, companies across the sector are set to benefit from long-term demand from consumers, enterprises and governments for technology products and solutions.



#### **PESO GLOBAL TECHNOLOGY FUND**

**Fund Distribution by Market Value** 





TARGET FUND'S TOP 10 HOLDINGS As of December 31, 2022

Microsoft Corp 5.80% Samsung Electronics Co Ltd 2.80% 4.90% 2.70% Apple Inc Fricsson Salesforce Inc. 3.70% 2.60% Qualcomm Inc. 3.00% SAP SE 2.30%` Amazon.com Inc. 2.90% Rolls-Royce Holdings PLC 1.90% Alphabet Inc



## PESO GLOBAL MULTI-ASSET INCOME-PAYING FUND

#### **FUND PERFORMANCE**

The Peso Global Multi-Asset Income-Paying Fund (PGMAIPF) invests solely in a local fund that feeds into a Target Fund known as JP Morgan Asset Management's Multi Income Fund. The Target Fund invests principally in a diversified portfolio of income producing equities, bonds and other securities. In addition, the Target Fund aims to provide medium to long term moderate capital growth. The Target Fund Managers seek to achieve these objectives by active asset allocation to, and within, different asset classes and geographies.

Throughout 2022, the portfolio was focused on managing risk and building a more resilient income portfolio, taking a balanced approach to delivering attractive risk-adjusted yields. Target fund managers reduced equity allocations in the beginning of the year as tensions grew between Ukraine and Russia, and interest rate expectations began to rise amid rising inflation which created a recipe for volatility. Some reallocation was done from European exposure towards the US. Emerging Markets Equity and Global REITs were reduced due to more challenged outlook and reallocated some of the proceeds to Global Equities. Some of the trade proceeds from reductions remained in cash to provide some ballast to the portfolio and to have some dry powder for new opportunities. Some high yield and preferred equity allocations were shifted to US investment grade credit as attractive yields were seen supported by compelling fundamentals, technicals and valuations.

Just passing its first year, in 2022 the PGMAIF declined by 8.2%. However the fund distributed an average annualized yield of 4.64% giving it a total return of -3.6%. It ended the year with Net Asset Value per Unit (NAVPU) of Php 0.927409 due to headwinds.

#### **MARKET REVIEW**

2022 proved to be a volatile and challenging year as markets faced a number of headwinds: the Russia-Ukraine war and resultant impact on global energy supply, central bank rate hikes to slow inflation and ongoing COVID-related lockdowns in China. Equity and bond markets suffered significant decline as of year-end.

Equity and fixed income markets continued to face pressure early in the year through the second guarter as lockdowns in China and the prospect of substantially tighter monetary policy continued to weigh on sentiment. Headline inflation remained elevated in the US, Europe and the UK. Central banks reacted with the Fed and BoE continuing to raise rates. Outside of developed markets, promising news about a drop in Covid infections in China and the prospect of easing lockdowns led to an improvement in growth expectations.

Markets staged somewhat of a recovery in July as China reopened, data in the US revealed economy continued to grow, and focus on potential pause in US rate hikes. However, the recovery in equity markets proved to be short-lived, as central banks' narrative around their commitment to bring inflation under control, despite inherent risks to the growth outlook, led to further declines in equity and bond markets through August and September.

Stocks rallied in October and continued to perform strongly in November, but gains became muted as central banks delivered another round of steep policy rate hikes during the final quarter of the year, with the ECB, Fed and BoE all hiking rates by 0.75% followed by an additional 0.50% in December. Emerging markets posted strong returns over the quarter as investors welcomed the easing of COVID restrictions and the US dollar weakened

#### **OUTLOOK**

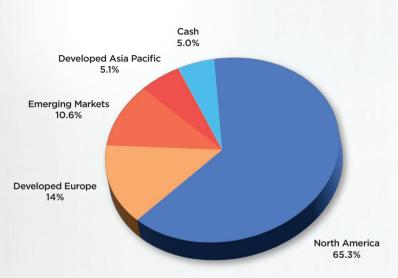
The target fund managers estimate the Federal Reserve (Fed) to pause its hikes at around 5.00%-5.25% in 1Q 2023 – roughly in line with market pricing, and then remain on hold throughout 2023 in the belief that the U.S. economy is sufficiently resilient to withstand rates at this level. Under these conditions, the economy will certainly slow to a sub-trend pace, with a mild contraction increasingly likely and no guarantee of averting a more severe recession. But a strong labor market, decent corporate health, and residual excess savings from the pandemic create economic buffers. In Europe, economic data is holding up better than feared but only at the margin and not enough to offset risks to growth and earnings.

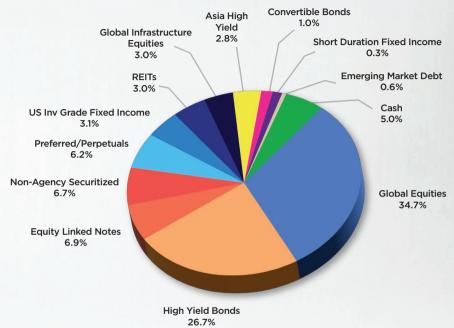
Sub-trend global growth, cooling inflation and restrictive but stable monetary policy will create a different investing environment in 2023. A risk-off tilt remains, with an underweight to stocks. Opportunities to add duration and seek carry in high quality fixed income could become more appealing. Overall, the target fund managers remain cautious, but vigilant with allocations and nimble in their approach to take advantage of market dislocations and deliver consistent income and growth through the market cycle.



## PESO GLOBAL MULTI-ASSET INCOME-PAYING FUND

**Fund Distribution by Market Value** 





TARGET FUND'S TOP 10 HOLDINGS As of December 31, 2022 Equity Linked Notes 6.90%
AbbVie, Inc. 0.70%
Johnson & Johnson 0.60%
Coca-Cola Company 0.50%
Taiwan Semiconductor 0.50%
Manufacturing Co., Ltd.

Prologis, Inc. 0.50%
Samsung Electronics Co., Ltd. 0.50%
Bristol-Myers Squibb Company 0.40%
Merck & Co., Inc. 0.40%
Procter & Gamble Company 0.30%



# DOLLAR GLOBAL MULTI-ASSET INCOME-PAYING FUND

#### **FUND PERFORMANCE**

The Dollar Global Multi-Asset Income-Paying Fund (DGMAIPF) invests solely in a local fund that feeds into a target fund known as JP Morgan Asset Management's Multi Income Fund. The target fund invests principally in a diversified portfolio of income producing equities, bonds and other securities. In addition, the target fund aims to provide medium to long term moderate capital growth. The target fund managers seek to achieve these objectives by active asset allocation to, and within, different asset classes and geographies.

Throughout 2022, the portfolio was focused on managing risk and building a more resilient income portfolio, taking a balanced approach to delivering attractive risk-adjusted yields. Target fund managers reduced equity allocations in the beginning of the year as tensions grew between Ukraine and Russia, and interest rate expectations began to rise amid rising inflation which created a recipe for volatility. Some reallocation was done from European exposure towards the US. Emerging Markets Equity and Global REITs were reduced due to more challenged outlook and reallocated some of the proceeds to Global Equities. Some of the trade proceeds from reductions remained in cash to provide some ballast to the portfolio and to have some dry powder for new opportunities. Some high yield and preferred equity allocations were shifted to US investment grade credit as attractive yields were seen supported by compelling fundamentals, technicals and valuations.

Just passing its first year, in 2022 the DGMAIF declined by 16.3%. However, the fund distributed an average annualized yield of 4.64% giving it a total return of -11.7%. It ended the year with Net Asset Value per Unit (NAVPU) of USD 0.846720 due to headwinds

#### **MARKET REVIEW**

2022 proved to be a volatile and challenging year as markets faced a number of headwinds: the Russia-Ukraine war and resultant impact on global energy supply, central bank rate hikes to slow inflation and ongoing COVID-related lockdowns in China. Equity and bond markets suffered significant decline as of year-end.

Equity and fixed income markets continued to face pressure early in the year through the second quarter as lockdowns in China and the prospect of substantially tighter monetary policy continued to weigh on sentiment. Headline inflation remained elevated in the US, Europe and the UK. Central banks reacted with the Fed and BoE continuing to raise rates. Outside of developed markets, promising news about a drop in Covid infections in China and the prospect of easing lockdowns led to an improvement in growth expectations.

Markets staged somewhat of a recovery in July as China reopened, data in the US revealed economy continued to grow, and focus on potential pause in US rate hikes. However, the recovery in equity markets proved to be short-lived, as central banks' narrative around their commitment to bring inflation under control, despite inherent risks to the growth outlook, led to further declines in equity and bond markets through August and September.

Stocks rallied in October and continued to perform strongly in November, but gains became muted as central banks delivered another round of steep policy rate hikes during the final quarter of the year, with the ECB, Fed and BoE all hiking rates by 0.75% followed by an additional 0.50% in December. Emerging markets posted strong returns over the quarter as investors welcomed the easing of COVID restrictions and the US dollar weakened

#### **OUTLOOK**

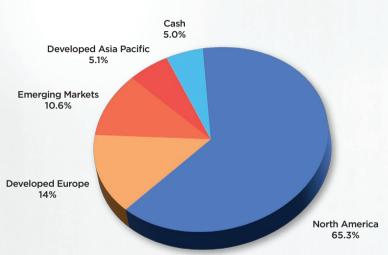
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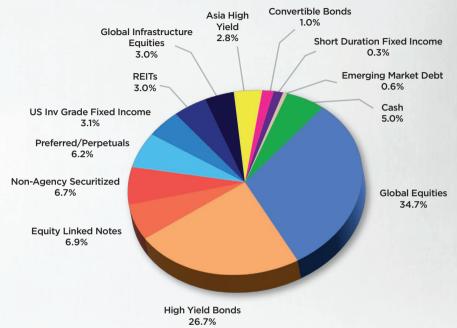
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## DOLLAR GLOBAL MULTI-ASSET INCOME-PAYING FUND

**Fund Distribution by Market Value** 





TARGET FUND'S TOP 10 HOLDINGS As of December 31, 2022 Equity Linked Notes
AbbVie, Inc.
Johnson & Johnson
Coca-Cola Company
Taiwan Semiconductor
Manufacturing Co., Ltd.

6.90%

0.70%

0.60%

0.50%

0.50%

Prologis, Inc. 0.50%
Samsung Electronics Co., Ltd. 0.50%
Bristol-Myers Squibb Company 0.40%
Merck & Co., Inc. 0.40%
Procter & Gamble Company 0.30%

InLife

### INDEPENDENT AUDITORS' REPORT

## THE BOARD OF TRUSTEES AND MEMBERS

THE INSULAR LIFE ASSURANCE COMPANY, LTD.

#### **OPINION**

We have audited the accompanying combined financial statements of Insular Life Wealth Series Funds (the "Separate Funds"), which comprise the combined statements of financial position as at December 31, 2022 and 2021, and the combined statements of comprehensive income, combined statements of changes in net assets attributable to unitholders, and combined statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the Insular Life Wealth Series Funds as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

#### **BASIS FOR OPINION**

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

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

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

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

Those charged with governance are responsible for overseeing the Separate Fund's financial reporting process.

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

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



### INDEPENDENT AUDITORS' REPORT

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

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

financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### RESTRICTION ON DISTRIBUTION AND USE

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

SYCIP GORRES VELAYO & CO.

gam & parais

Janet A. Paraiso

Partner

CPA Certificate No. 92305

Tax Identification No. 193-975-241

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 92305-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-062-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9369768, January 3, 2023, Makati City

May 19, 2023



#### COMBINED STATEMENTS OF FINANCIAL POSITION

	December 31, 2022												
	Peso Investment Funds												
	Balanced Fund		Equity Fund	Growth Fund	Select Equities Fund	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund	ONE Fund	Peso Global Technology Fund	Recovery Equity Fund	Peso Global Multi-Asset Income-Paying Fund	Total Pes Investmer Fund
ASSETS													
Cash and cash equivalents (Note 4)	₱132,548	₱253,297,591	₱1,152,218,208	₱239,080,457	₱71,613,260	P383,285,201	₱50,759,485	₱642,020	₱92,578,599	P58,036,165	₱26,447,583	₱27,862,115	₱2,355,953,2
Financial assets at fair value													
through profit or loss (Note 5)													
Debt securities	_	2,286,744,440	24,813,104	99,001,588	_	-	_	_	-	_	-		2,410,559,13
Investment in unit investment trust fu		1-1		_	_	_	_	1,395,364,594	-	4.914.443.152	-	4,839,763,038	11.149.570.78
Equity securities	_	_	13,014,872,060	3.490.947.445	2,802,091,316	_	377,932,735	-	505,775,381	-	354,496,099	-	20,546,115,03
Investment in fixed				, ,	, , , , , , ,								
income fund	917,306,020	_	1	_		_	_	_	_	_	-	_	917,306,02
Investment in equity fund	1.056.411.677		_	_	_	_	_	_	_	_	_	_	1,056,411,67
Receivables (Note 6):	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,												,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Investment income receivable	_	22.302.122	38.578.680	11.810.452	8.894.873	1.947.724	2.727.094	33	2.297.123	3.222	1,570,664	1.544	90.133.5
Subscriptions receivable	72,791		5,725,254	932,758	266,234	14.062	10,177	_	1,092,986	-,	_	14,858,564	23,681,12
Other receivables	1,000		3,619,468	-		-	-	227	-	25,000,000	_	-	32,234,00
	1,973,924,036	2,566,665,769	14,239,826,774	3,841,772,700	2,882,865,683	385,246,987	431,429,491	1,396,006,874	601,744,089	4,997,482,539	382,514,346	4,882,485,261	38,581,964,54
LIABILITIES													
Accounts payable (Note 7)	7.299.419		27.522.541	9.270.163	7,493,282	_	1,761,617	775.119	1.911.737	40.404.270	869,445	_	97,307,59
Accrued expense	7,200,410		27,022,0-1	3,270,103	7,455,262		1,7 01,017	773,113	1,511,757	40,404,270	003,113		37,307,3
and other liabilities (Note 7)	24.917	7.944.312	25.010.500	6.827.624	4.540.601	542.723	851.529	1.111.387	1,100,698	28,769,571	733.113	3.514.808	80.971.78
	7,324,336	,, ,,	52,533,041	16,097,787	12,033,883	542,723	2,613,146	1,886,506	3,012,435	69,173,841	1,602,558	3,514,808	178,279,37
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	P1,966,599,700	₱2,558,721,457	<b>P</b> 14,187,293,733	₱3,825,674,913	₱2,870,831,800	₱384,704,264	₽428,816,345	₱1,394,120,368	₱598,731,654	₱4,928,308,698	₱380,911,788	₱4,878,970,453	₱38,403,685,1
Number of Units	693,167,828	1,249,491,075	3,638,153,278	2,837,342,932	3,792,007,535	343,826,453	775,584,901	1,066,650,730	702,501,648	3,620,793,313	410,491,671	5,261,109,185	
Net Asset Value Per Unit	₽2.84	₽2.05	₽3.90	₽1.35	₽0.76	₽1.12	₽0.55	₽1.31	₽0.85	₽1.36	₽0.93	₽0.93	



#### COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2022

			Dollar Invest	ment Funds				- 1
	Dollar Fixed Income Fund	Asian Emerging Companies Fund	Dollar Money Market Fund	Dollar Opportunity Fund	Dollar Global Multi-Asset Income Paying Fund	Total Dollar Investments Fund	Balanced Fund Eliminating Entries	Combined Total
ASSETS Cash and cash equivalents (Note 4) Financial assets at fair value through profit or loss (Note 5)	₱15,966,187	P-	₱147,402,565	₱3,802,632	₱10,645,276	₱177,816,660	P-	₱2,533,769,89
Debt securities	1,962,175,122	133,867,755	_			2,096,042,877	- 1	4,506,602,00
Investment in unit investment trust fund Equity securities			1 1	1,411,148,124 -	1,313,225,040	2,724,373,164	-	13,873,943,94 20,546,115,03
Investment in fixed income fund			<u> </u>	_			(917,306,020)	_
Investment in equity fund Receivables (Note 6):	-		-	1 '94 · E =	-	-1	(1,056,411,677)	-
Investment income receivable Subscriptions receivable Other receivables	44,757,125 - -	=	396,667 - -	V 1 - 5	<u> </u>	45,153,792 - -	(72,791) (7,226,628)	135,287,32 23,608,33 25,007,38
	2,022,898,434	133,867,755	147,799,232	1,414,950,756	1,323,870,316	5,043,386,493	(1,981,017,116)	41,644,333,926
LIABILITIES								
LIABILITIES Accounts payable (Note 7) Accrued expense	27,513	-	8,000	30,970	2,283,831	2,350,314	(7,299,419)	92,358,48
and other liabilities (Note 7)	2,702,052	-	117,424	1,077,369	949,835	4,846,680	-	85,818,46
P. (E. L.) 1	2,729,565		125,424	1,108,339	3,233,666	7,196,994	(7,299,419)	178,176,95
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	₱2,020,168,869	₱133,867,755	₱147,673,808	₱1,413,842,417	₱1,320,636,650	₱5,036,189,499	(₱1,973,717,697)	<b>₽</b> 41,466,156,97
	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	,, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	-,,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	, , , .
Number of Units	24,058,487	10,000	2,504,962	34,633,971	27,975,651			
Net Asset Value Per Unit	<b>F</b> 83.97	<b>₱13,386.78</b>	₽58.95	₽40.82	₽47.21			



### COMBINED STATEMENTS OF FINANCIAL POSITION

_				
Decem	per	.5 I.	2021	

						Decembe	er 31, 2021					
						Peso Investi	ment Funds	11				
	Balanced Fund	Peso Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund	Own the New Economy Fund	Peso Global Technology Fund	Recover Equity Ir Fund	Peso Globa Multi-Asse ncome-Paying Fund
ASSETS												
Cash and cash equivalents (Note 4) Financial assets at fair value through profit or loss (Note 5):	₱132,548	P108,587,711	P140,724,148	P119,129,580	₱59,498,818	₱40,556,392	₱6,302,356	₱6,187,281	₱27,556,048	₱72,000,915	₱28,048,446	₱30,629,217
Debt securities	<del>-</del>	2,650,736,760	1,027,593,312	169,149,369	- T	389,409,845	19,981,106	-	- ·	- ·	<del>-</del>	-
Equity securities	-		13,800,767,214	3,941,836,201	3,244,014,876	-	497,131,133	1,652,269,413	586,845,247	5,472,361,789	416,472,239	325,735,786
Investment in fixed income fund	932,909,228	-	-	- 1	-	- 1	-	-	H 1511-	-	-	-
Investment in equity fund	1,148,154,960	<del>-</del>	- 17 <del>2</del> .	1 m 11-13		- 1 - <del>-</del> 1	- I		- 92 H	-	- 4	- 11
Receivables (Note 6):												
Subscriptions receivable	195,797	97,899	4,709,807	767,235	470,348	5,308,589	127,503	367,711	699,013	120,282,580	-	31,492,776
Investment income receivable	u=135 <b>-</b>	19,742,873	6,154,891	1,793,960	1,250,998		302,300		313,822	- H	137,362	-
Other receivables	1,000	3,465,224	14,827,349	4,206,524	<u> </u>	<u> </u>	<u> </u>			- 11	-	40-19-14-
	2,081,393,533	2,782,630,467	14,994,776,721	4,236,882,869	3,305,235,040	435,274,826	523,844,398	1,658,824,405	615,414,130	5,664,645,284	444,658,047	387,857,779
LIABILITIES (Note 7)												
Accounts payable	7,126,244	74,969	31,898,592	11				_	1,563,572			
Accrued and other liabilities	26,389	7,591,915	26,030,598	7,375,605	5,072,951	159,616	980,585	1,231,525	1,120,720	3,960,177	848,069	184,404
	7,152,633	7,666,884	57,929,190	7,375,605	5,072,951	159,616	980,585	1,231,525	2,684,292	3,960,177	848,069	184,404
NET ASSETS ATTRIBUTABLE												
TO UNITHOLDERS	₱2,074,240,900	₱2,774,963,583	₱14,936,847,531	₱4,229,507,264	₱3,300,162,089	₽435,115,210	₱522,863,813	₱1,657,592,880	₱612,729,838	₽5,660,685,107	P443,809,978	₱387,673,375
Number of Units	686,034,054	1,317,716,284	3,490,542,748	2,779,507,948	3,965,918,880	394,205,728	790,477,349	1,226,846,385	637,737,492	3,463,694,518	412,076,011	383,881,977
Net Asset Value Per Unit	₽3.02	₽2.11	₽4.28	₽1,52	₽0.83	P1,10	₽0.66	₽1,35	₽0.96	₽1,63	₽1,08	₽1,01

See accompanying Notes to Combined Financial Statements.



### COMBINED STATEMENTS OF FINANCIAL POSITION

					er 31, 2021		
			stment Funds				
	Dollar Fixed Income Fund	Asian Emerging Companies Fund	Dollar Money Market Fund	Dollar Opportunity Fund	Dollar Global Multi-Asset Income Paying Fund	Balanced Fund Eliminating Entries	Combined Total
ASSETS							
Cash and cash equivalents (Note 4) Financial assets at fair value through profit or loss (Note 5):	₱26,589,768	₽-	₱174,780,316	₱21,609,533	₽6,950,108	P-	₽869,283,185
Debt securities	2,297,208,314	248,875,120	al III - I -	, 6 , 5 , 5 , <del>-</del> ,	_		6,802,953,826
Equity securities			<u> </u>	1,931,966,888	119,313,273	- T	31,988,714,059
Investment in fixed income fund	<del>-</del>	<del>-</del> _	- 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	- III	_ 1	(932,909,228)	- H
Investment in equity fund		1 1.1. <del>-</del> 1	57 -85. k <del>.</del> 1	<u>-</u>	- 1	(1,148,154,960)	<del>-</del>
Receivables (Note 6):							
Subscriptions receivable	1,275		<u>-</u> "	2,040	1,220,532	(195,797)	165,547,308
Investment income receivable	42,659,310	<u>-</u>	14,293		-	Eff alaini	72,369,809
Other receivables		JT F-1 1 =	<u> </u>	<u> </u>	1	(6,930,447)	15,569,650
	2,366,458,667	248,875,120	174,794,609	1,953,578,461	127,483,913	(2,088,190,432)	39,914,437,837
LIABILITIES (Note 7)							
Accounts payable	8,574	5,15,       <del>-</del>	715	8,682	<u> </u>	(7,126,244)	33,555,104
Accrued and other liabilities	3,134,477	- I	19,258	1,398,175	75,944	<u></u>	59,210,408
	3,143,051	-	19,973	1,406,857	75,944	(7,126,244)	92,765,512
NET ASSETS ATTRIBUTABLE							
TO UNITHOLDERS	₱2,363,315,616	₱248,875,120	₱174,774,636	₱1,952,171,604	₱127,407,969	(P2,081,064,188)	₱39,821,672,325
Number of Units	26,802,992	10,000	3,272,052	32,272,326	2,467,457		
Net Asset Value Per Unit	₽88.17	₽24,887.51	₽53.41	₽60.49	₽51.64		

See accompanying Notes to Combined Financial Statements.





### COMBINED STATEMENTS OF COMPREHENSIVE INCOME

						Year Er	nded December	31,2022					
						Pes	so Investment Fu	ınds	4 1 1 1 1 1				
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund	ONE Fund	Peso Global Technology Fund	Recovery Equity Fund	Peso Global Multi-Asset Income-Paying Fund	Total Pe Investme Fur
INCOME  Net change in unrealized gains (losses) on financial assets at Fair  Value through Profit or Loss (FVTPL)	( <del>2</del> 122 720 945)	( <del>P</del> 120,918,462)( <del>F</del>	ol 560 434 334)	( <del>2</del> 524 127 689)	( <del>2</del> 317 968 059)	P-	(₱83.745.478)	(₱75.761.090)	(₱94,225,791)	(₱908,741,129)	( <del>P</del> 69,183,019)	( <del>2</del> 143 372 748)	<i>(</i> ₽4 ∩21198 7/
Realized gains (losses) on sale of	(-122,720,545)	(-120,510,402)(-	1,500,454,554)	(-32-1,127,003)	(+317,500,000)	_	(1-00,7-10,-170)	(-75,761,656)	(-3-,223,731)	(-300,741,123)	(-05,105,015)	(- 1-0,072,7-10)	(1-1,021,130,7-
financial assets at FVTPL Interest income-cash and cash	(5,046,056)	(3,841,716)	197,266,173	31,343,732	(2,668,851)	1,482,846	(1,532,690)	(11,143,729)	23,871,302	(47,177,509)	8,985,295		191,538,79
equivalents (Note 4) Interest income-debt securities at	-	4,177,718	10,499,095	2,071,230	656,295	7,296,866	399,867	61,756	246,481	90,308	348,622	44,236	25,892,4
FVTPL (Note 5)	-	107,431,215	1 1 - 1 -	-		-	-	-	-	-	-	-	107,431,2
Dividends (Note 6) Other income	-	7.553	334,389,687 33.985	89,788,110 5.701	86,856,269 6.803	5.300	10,170,271 5.900	43,300,568 96	13,797,907 6.300	19	7,803,505 7.100	-	586,106,3 78.7
Strier income	(127.767.001)		(1.018.245.394)	(400.918.916)	(233.117.543)	8.785.012	(74.702.130)	(43.542.399)	(56.303.801)	(955.828.311)		(143.328.512)	(3,110,151,18
EXPENSES Management fees (Note 8) Government taxes, duties and other transaction costs Administration fees (Note 8) Custody fees (Note 8)	- - 294,709 -	39,972,718 22,322,670 599,591 92,526	278,428,495 11,023,810 3,132,321 1,791,512	77,171,136 3,204,011 868,175 511,609	53,125,202 3,287,228 683,038 407,207	1,875,876 1,460,665 94,848 5,812	9,031,620 537,118 101,606 65,582	13,695,893 22,351 228,265	11,416,194 1,114,704 128,432 83,101	46,393,645 36,591 818,711	7,921,139 1,232,471 89,113 74,157	20,698,058 9,289 365,260	559,729,9 44,250,9 7,404,0 3,031,5
Professional fees	-	68,812	68,812	68,812	68,812	-	68,812		68,812	-	68,812	-	481,6
	294,709	63,056,317	294,444,950	81,823,743	57,571,487	3,437,201	9,804,738	13,946,509	12,811,243	47,248,947	9,385,692	21,072,607	614,898,1
				(482.742.659)	(290.689.030)	5.347.811	(84,506,868)	(57,488,908)	(69,115,044)	(1,003,077,258)	(61.424.189)	(164.401.119)	(3,725,049,32
NET INCOME(LOSS)	(128,061,710)	(76,200,009)	(1,312,690,344)	(402,742,000)	(===,===,===,								



### COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Y		ember 31,2022				
				tment Funds				
	Dollar Fixed Income Fund	Asian Emerging Companies Fund	Dollar Money Market Fund	Dollar Opportunity Fund	Dollar Global Multi-Asset Income Paying Fund	Total Dollar Investments	Eliminating Entries	Combined
								0011101110
INCOME								
Net change in unrealized gains (losses) on financial assets at Fair								
Value through Profit or Loss (FVTPL) Realized gains (losses) on sale of	( <del>P</del> 406,281,212)	₱2,116,792	P-	(\$26,851,207)	( <del>P</del> 80,957,828)	( <b>P</b> 1,311,973,455)	₱122,720,945	(₱5,210,451,254
financial assets at FVTPL Interest income-cash and cash	(11,593,137)	- 115	-	(16,311,723)	- 14	(27,904,860)	5,046,056	168,679,993
equivalents (Note 4) Interest income-debt securities at	1 1 n -	· ( )	2,094,840	-	-	2,094,840	-	27,987,314
FVTPL (Note 5)	126,736,420		_		_	126,736,420	_	234,167,63
Dividends (Note 6)	- ' ' -	-	- 1	-	-	-	-	586,106,317
Other income	-	-	-	6	-	6	-	78,763
	(291,137,929)	2,116,792	2,094,840	(843,162,924)	(80,957,828)	(1,211,047,049)	127,767,001	(4,193,431,232)
EXPENSES								
Management fees (Note 8)	32,437,927	_	358,825	14,180,690	5,949,624	52,927,066		612,657,042
Government taxes, duties and			1 1					
other transaction costs	2,517	-	314,792	5,035	40,924	363,268	-	44,614,176
Administration fees (Note 8)	486,571	-	24,706	250,249	104,991	866,517	-	8,270,586
Custody fees (Note 8)	63,185	-	-	-	-	63,185	-	3,094,69
Professional fees	65,145				_	65,145	-	546,829
	33,055,345	-	698,323	14,435,974	6,095,539	54,285,181	-	669,183,324
NET INCOME(LOSS)	(324,193,274)	2,116,792	1,396,517	(857,598,898)	(87,053,367)	(1,265,332,230)	127,767,001	(4,862,614,556
OTHER COMPREHENSIVE INCOME								
Cumulative translation adjustment	220,422,966	23,209,280	16,326,788	182,053,142	11,881,651	453,893,827	-	453,893,827
NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO								
UNITHOLDERS	( <del>P</del> 103,770,308)	₱25,326,072	₱17,723,3 <b>0</b> 5	(P675,545,756)	( <del>P</del> 75,171,716)	( <del>P</del> 811,438,403)	₱127,767,001	(P4,408,720,729



P2,030,272 (P19,902,895) P205,200,415 P51,540,131 P660,357,190 P34,693,611

### COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31, 2021

							Pes	o Investment F	unds					
	Balanced Fund	Peso Fixed Income Fund	Equity Fund	Growth Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Select Equities Fund	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund	Own the New Economy Fund	Peso Global Technology Fund	Recover Equity I Fund	Peso Glob Multi-Asse Income-Payin Fun
INCOME														
Net change in unrealized gain (loss) on														
investment (Note 5)	₽47,404,475	(P74,182,843)	₱521,374,736	₱50,610,406	₱3,577,348	₱1,737,549	(P7,867,668)	₱1,004,680	(P19,714,951)	₱185,903,160	₱25,258,337	₱675,902,697	₱16,370,172	₽5,735,786
Realized gains (losses) on sale of														
investment (Note 5)	(1,848,347)	680,131	271,895,736	91,255,350	-	- 1	(15,972,653)	2,780,790	4,419,362	1,765,486	30,999,946	16,399,605	23,766,095	-
Interest income-deposits (Note 4)	-	327,652	1,992,755	750,408	- ·		431,087	96,260	152,023	52,419	52,332	120,374	367,502	5,286
Interest income-debt securities (Note 5)	-	101,184,599	-	-	- / T	-		-	-	-	<del>-</del> 1	- I	- I	<u> </u>
Dividends (Note 6)		-	251,804,268	65,889,326		- 1 - 1	78,621,227	I	7,223,055	31,858,335	8,549,214	- I	5,155,202	-
Other income	-	-	41,031	45	-	-	-	-	-	-	-	-	-	<u> </u>
	45,556,128	28,009,539	1,047,108,526	208,505,535	3,577,348	1,737,549	55,211,993	3,881,730	(7,920,511)	219,579,400	64,859,829	692,422,676	45,658,971	5,741,072
EXPENSES														
Management fees (Note 8)	-	42.661.687	273,335,359	79,599,757	:		56,932,229	1,719,366	11,023,504	14,142,328	10,750,520	31,509,802	8,411,287	199,346
Administration fees (Note 8)	316,649	670,505	3,197,009	935,762	-	_	768,368	91,390	130,671	225,648	126,314	531,400	99,114	3,518
Custody fees (Note 8)	-	91,797	1,849,447	579,553		-	438,380	21,388	79,587	-	122,098	- i -	114,764	-
Government taxes, duties and other														
transaction costs	2	20,356,042	15,302,153	4,897,340			2,150,050	19,314	686,062	11,009	2,258,206	24,284	2,277,638	1,084
Professional fees	-	62,560	62,560	62,560	-	-	62,560	<u> </u>	62,560	_	62,560	<u> </u>	62,557	<u>-                                    </u>
	316,651	63,842,591	293,746,528	86,074,972	M 1	-	60,351,587	1,851,458	11,982,384	14,378,985	13,319,698	32,065,486	10,965,360	203,948
NET INCOME(LOSS)	45,239,477	(35,833,052)	753,361,998	122,430,563	3,577,348	1,737,549	(5,139,594)	2,030,272	(19,902,895)	205,200,415	51,540,131	660,357,190	34,693,611	5,537,124

₱1,737,549 (₱5,139,594)

₽3.577.348

See accompanying Notes to Combined Financial Statements.

P45.239.477 (P35.833.052) P753.361.998 P122.430.563

NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS RESULTING FROM OPERATIONS



₽5.537.124

### COMBINED STATEMENTS OF COMPREHENSIVE INCOME

			•	Year Ended D	ecember 31, 20	)21		
				Dollar Inve	estment Funds			
	Dollar Fixed Income Fund	Asian Emerging Companies Fund	Euro Blue Chips Dollar Fund	Dollar Money Market Fund	Dollar Opportunity Fund	Dollar Global Multi-Asset Income Paying Fund	Eliminating Entries	Combined
INCOME								
Net change in unrealized gain (loss) on								
investment (Note 5)	(P144,376,175)	(P126,579,518)	₱9,009,377	₽-	₱185,362,687	₱2,015,573	(P47,404,475)	₱1,311,141,353
Realized gains (losses) on sale of								
investment (Note 5)	(23,345,812)		- I	<u>-</u>	186,493	-	1,848,347	404,830,529
Interest income-deposits (Note 4)	76,931		-	272,131	577	'	-	4,697,737
Interest income-debt securities (Note 5)	131,108,500	<u> </u>	- T   17 <del>-</del>		<del>-</del>		Maria - 1	232,293,099
Dividends (Note 6)	- Ind 17-	7   7   T   <del>-</del>	- I	- 1 - 1 - 1 - 1	-		- ·	449,100,627
Other income	<u> </u>	_	<u> </u>	_	-	-	-	41,076
	(36,536,556)	(126,579,518)	9,009,377	272,131	185,549,757	2,015,573	(45,556,128)	2,402,104,421
EXPENSES								
Management fees (Note 8)	42.039.963	'4		185,072	10,517,516	80.805		583,108,541
Administration fees (Note 8)	664.197			28,621	177,332			7.967.925
Custody fees (Note 8)	88.048				_			3,385,062
Government taxes, duties and other								
transaction costs	14,108	<u>-</u>	- 1 - 1 - 1 - 1 - 1	41,846	20,093	2,566	- 1 -	48,061,797
Professional fees	63,449		_		_ (	<u> </u>	- 1 - T	501,366
	42,869,765			255,539	10,714,941	84,798	<u> -</u>	643,024,691
NET INCOME(LOSS)	(79,406,321)	(126,579,518)	9,009,377	16,592	174,834,816	1,930,775	(45,556,128)	1,759,079,730
OTHER COMPREHENSIVE INCOME (LOSSES)								
Cumulative translation adjustment	189,265,872	21,909,312	17,152,470	11,271,354	19,941,963	-	-	259,540,971
NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS RESULTING								
FROM OPERATIONS	₱109,859,551	(P104,670,206)	₱26,161,847	₱11,287,946	₱194,776,779	₱1,930,775	(P45,556,128)	₱2,018,620,701

See accompanying Notes to Combined Financial Statements.



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

								December 31 Peso Investment							
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Select Equities Fund	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund	ONE Fund	Peso Global Technology Fund	Recovery Equity Fund	Peso Global Multi-Asset Income-Paying Fund	Total Pes
NET ASSETS ATTRIBUTABLE UNITHOLDERS AS AT DECEMBER 31, 2020	₱2,052,166,082	₱2,927,776,643	₱13,586,895,949	₱3,968,574,925	P305,671,000	₱149,370,000	₱3,548,058,039	₱406,692,444	₱610,227,072	₱1,281,739,578	₱486,254,173	₱972,744,537	₱409,730,600	) <b>P</b> -	₱30,705,901,04
Contributions received from units issued during the year Redemptions during the year	90,389,156 (113,553,815)	218,756,965 (335,736,973)	1,197,529,395 (600,939,811)	208,528,664 (70,026,888)	(309,248,348)	(151,107,549)	59,689,279 (302,445,635)	181,605,192 (155,212,698)		299,266,442 (128,613,555)	104,805,337 (29,869,803)	4,337,084,609 (309,501,229)	(614,233)	382,136,251	7,106,640,28 (2,601,179,892
Net increase (decrease) in net assets attributable to unitholders	(23,164,659) 45,239,477	(116,980,008) (35,833,052)	596,589,584 753,361,998	138,501,776 122,430,563	(309,248,348) 3,577,348	(151,107,549) 1,737,549	(242,756,356) (5,139,594)	26,392,494 2,030,272		170,652,887 205,200,415	74,935,534 51,540,131	4,027,583,380 660,357,190	(614,233) 34,693,611	382,136,251 5,537,124	4,505,460,38 1,824,830,13
NET ASSETS ATTRIBUTABLE UNITHOLDERS AS AT DECEMBER 31, 2021	2.074.240.900	2.774.963.583	14.936.847.531	4.229.507.264			3.300.162.089	435.115.210	522.863.813	1.657.592.880	612.729.838	5.660.685.107	443.809.978	387.673.375	37,036,191,56
Contributions received from units issued Redemptions during the year	100,359,166 (79,938,656)	241,963,355 (382,005,472)	1,056,384,288 (493,247,742)	163,553,321 (84,643,013)		-	40,485,432 (179,126,691)	173,644,190 (229,402,947)	18,862,456 (28,403,056)	73,795,595 (279,779,199)	102,575,798 (47,458,938)	897,636,179 (626,935,330)	(1,474,001)	4,656,481,695 (783,498	7,525,741,47
Net increase (decrease) in net assets attributable to unitholders	20,420,510 (128,061,710)	(140,042,117) (76,200,009)	563,136,546 (1,312,690,344)	78,910,308 (482,742,659)	A E I	_	(138,641,259) (290,689,030)	(55,758,757) 5,347,811	(9,540,600) (84,506,868)	(205,983,604) (57,488,908)	55,116,860 (69,115,044)	270,700,849 (1,003,077,258)	(1,474,001) (61,424,189)		
NET ASSETS ATTRIBUTABLE UNITHOLDERS AS AT DECEMBER 31, 2022	P1,966,599,700	₱2,558,721,457	₱14,187,293,733	₱3,825,674,913	P-	P-	₱2,870,831,800	P384,704,264	P428,816,345	₱1,394,120,368	P598,731,654	P4,928,308,698	₱380,911,788	₱4,878,970,453	P38,403,685,17

				Decembe	r 31, 2022					
	Dollar Investment Funds									
	Dollar Fixed Income Fund	Asian Emerging Companies Fund	Euro Blue Chips Dollar Fund	Dollar Money Market Fund	Dollar Opportunity Fund	Dollar Global Multi-Asset Income Paying Fund	Total Dollar Investment Funds	Eliminating	Combined	
NET ASSETS ATTRIBUTABLE UNITHOLDERS AS AT DECEMBER 31, 2020	₱3,054,138,036	₱353,545,326	₱353,980,653	₱181,883,142	₱321,798,726	p-	₱4,265,345,883	( <b>P</b> 2,058,672,719)	₱32,912,574,200	
Contributions received from units issued during the year Redemptions during the year	157,258,535 (957,940,506)	]	(380,142,500)	(18,396,452)	1,464,089,344 (28,493,245)	125,485,899 (8,705)	1,746,833,778 (1,384,981,408)	(90,389,156) 113,553,815	8,763,084,903 (3,872,607,485	
Net increase (decrease) in net assets attributable to unitholders	(800,681,971) 109,859,551	(104,670,206)	(380,142,500) 26,161,847	(18,396,452) 11,287,946	1,435,596,099 194,776,779	125,477,194 1,930,775	361,852,370 239,346,692	23,164,659 (45,556,128)	4,890,477,418 2,018,620,70	
NET ASSETS ATTRIBUTABLE UNITHOLDERS AS AT DECEMBER 31, 2021	2,363,315,616	248,875,120		174,774,636	1,952,171,604	127,407,969	4,866,544,945	(2,081,064,188)	39,821,672,32	
Contributions received from units issued Redemptions during the year	7,460,807 (246,837,246)	(140,333,437)		2,206,681 (47,030,814)	181,196,862 (43,980,293)	1,275,085,613 (6,685,216)	1,465,949,963 (484,867,006)	(100,359,166) 79,938,656	8,891,332,272 (2,838,126,893	
Net increase (decrease) in net assets attributable to unitholders	(239,376,439) (103,770,308)	(140,333,437) 25,326,072		(44,824,133) 17,723,305	137,216,569 (675,545,756)	1,268,400,397 (75,171,716)	981,082,957 (811,438,403)	(20,420,510) 127,767,001	6,053,205,379 (4,408,720,729	
NET ASSETS ATTRIBUTABLE UNITHOLDERS AS AT DECEMBER 31, 2022	₱2,020,168,869	₱133,867,755	p-	P147,673,808	P1,413,842,417	P1,320,636,650	₱5,036,189,499	(P1,973,717,697)	P41,466,156,97	





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

								er 31, 2021						
	Balanced Fund	Peso Fixed Income Fund	e Equity	Growth Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Select Equities	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund	Own the New Economy Fund	Peso Global Technology Fund	Recover Equity Fund	Peso Globa Multi-Asse Income-Paying Fund
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2019	₱2,013,726,248	₱2,623,226,424	P13,011,658,970	P4,299,701,088	₱298,747,500	₱145,845,000	P3,723,555,499	₱449,651,217	P650,034,456	₱1,683,753,030	₱458,071,280	₽	₽-	₽-
Contributions received from units issued	105,090,027	1,002,977,762	2,147,946,882	241,786,042	-	-	104,850,193	148,553,928	39,433,054	150,171,492	81,688,029	872,185,489	412,906,514	
Redemptions during the year	(55,945,926) 49,144,101	(865,260,066) 137,717,696	(361,183,906)	(166,909,769) 74.876.273	-	-	(143,828,498)	(196,966,429)	(26,094,948)	(525,147,903)	(16,946,346)	(22,649,137) 849,536,352	(226,088) 412,680,426	
Net increase (decrease) in net assets attributable to unitholders resulting from operations	(10,704,267)	166,832,523	(1,211,525,997)	(406,002,436)	6,923,500	3,525,000	(136,519,155)	5,453,728	(53,145,490)	(27,037,041)	(36,558,790)	123,208,185	(2,949,826)	
NET ASSETS ATTRIBUTABLE UNITHOLDERS AT DECEMBER 31, 2020	2,052,166,082	2,927,776,643	13,586,895,949	3,968,574,925	305,671,000	149,370,000	3,548,058,039	406,692,444	610,227,072	1,281,739,578	486,254,173	972,744,537	409,730,600	
Contributions received from units issued	90,389,156	218,756,965	1,197,529,395	208,528,664		-	59,689,279	181,605,192	26,848,991	299,266,442	104,805,337	4,337,084,609	-	382,136,251
Redemptions during the year	(113,553,815)	(335,736,973)	(600,939,811)	(70,026,888)	(309,248,348)	(151,107,549)	(302,445,635)	(155,212,698)	(94,309,355)	(128,613,555)	(29,869,803)	(309,501,229)	(614,233)	
	(23,164,659)	(116,980,008)	596,589,584	138,501,776	(309,248,348)	(151,107,549)	(242,756,356)	26,392,494	(67,460,364)	170,652,887	74,935,534	4,027,583,380	(614,233)	382,136,251
Net increase (decrease) in net assets attributable to unitholders resulting from operations	45,239,477	(35,833,052)	753,361,998	122,430,563	3,577,348	1,737,549	(5,139,594)	2,030,272	(19,902,895)	205,200,415	51,540,131	660,357,190	34,693,611	5,537,124
NET ASSETS ATTRIBUTABLE UNITHOLDERS AT DECEMBER 31, 2021	P2,074,240,900	P2,774,963,583	₱14,936,847,531	₱4,229,507,264	₽-	₽-	₱3,300,162,089	₽435,115,210	₱522,863,813	₱1,657,592,880	₱612,729,838	P5,660,685,107	₱443,809,978	P387,673,375

See accompanying Notes to Combined Financial Statements.





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

					December 31, 20 ar Investment F				
	Dollar Fixed Income Fund	Asia Dynamic Equity Fund	Asian Emerging Companies Fund	Euro Blue Chips Dollar Fund	Dollar Money Market Fund	Dollar	Dollar Global Multi-Asset Income Paying Fund		
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT DECEMBER 31, 2019	₽3,232,142,535	₱149,155,520	₱481,133,770	₱374,954,200	₱166,268,574	₽-	₽-	(P2,019,465,512)	₱31,742,159,799
Contributions received from units issued	166,093,186			· [ ]	38,561,322	312,693,261		(105,090,027)	5,719,847,154
Redemptions during the year	(344,127,802) (178,034,616)	(155,079,259)	-		(14,912,772) 23.648.550	312.693,261	<u> </u>	55,945,926 (49,144,101)	(2,839,332,923)
Net increase (decrease) in net assets attributable to unitholders resulting from operations	30,117	5,923,739	(127,588,444)	(20,973,547)	(8,033,982)	9,105,465		9,936,894	-1,710,099,824
NET ASSETS ATTRIBUTABLE UNITHOLDERS AT DECEMBER 31, 2020	3,054,138,036		353,545,326	353,980,653	181,883,142	321,798,726		(2,058,672,719)	32,912,574,206
Contributions received from units issued	157,258,535	h my		T. Ind -1	Thirtis	1,464,089,344	125,485,899	(90,389,156)	8,763,084,903
Redemptions during the year	(957,940,506)	h ( ) <u> </u>	<u> </u>	(380,142,500)	(18,396,452)	(28,493,245)	(8,705)	113,553,815	(3,872,607,485)
	(800,681,971)			(380,142,500)	(18,396,452)	1,435,596,099	125,477,194	23,164,659	4,890,477,418
Net increase (decrease) in net assets attributable to unitholders resulting from operations	109,859,551	1 1 1 1 <u>1</u>	(104,670,206)	26,161,847	11,287,946	194,776,779	1,930,775	(45,556,128)	2,018,620,701
NET ASSETS ATTRIBUTABLE UNITHOLDERS AT DECEMBER 31, 2021	P2,363,315,616	₽-	₱248,875,120	₽-	P1 74,774,636	₱1,952,171,604	P127,407,969	(P2,081,064,188)	₽39,821,672,325

See accompanying Notes to Combined Financial Statements.





### **COMBINED STATEMENTS OF CASH FLOWS**

Year Ended [	December 31	. 2022
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					Peso	Investment Fund	d						
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund	ONE Fund		Recovery Equity Fund	Peso Global Multi-Asset Income-Paying Fund	Total Pe Investment Fun
CASH FLOWS FROM OPERATING ACTIVITIES Net income (loss) Changes in operating assets and liabilities: Net decrease (increase):	(P128,061,710)	(P76,200,009)	(₱1,312,690,344)	( <b>P</b> 482,742,659)	(P290,689,030)	₽5,347,811	(P84,506,868)	(₱57,488,908)	(P69,115,044)	(₱1,003,077,258)	(P61,424,189)	(₱164,401,119)	<b>(₱3,725,049,32</b>
Financial assets at fair value through profit or loss Receivables Net increase (decrease) in	107,346,492	363,992,320 (2,707,337)	1,788,675,360 (21,215,907)	521,036,537 (5,809,967)	441,923,561 (7,643,875)	389,409,844 (1,947,723)	139,179,504 (2,424,795)	256,904,818 (260)	81,069,863 (1,983,299)	557,918,638 (25,003,221)	61,976,140 (1,433,301)	(4,514,027,252) (1,544)	195,405,82 (70,171,229
Accounts payable, accrued expense and other liabilities	171,702.00	277,426.00	(5,396,148.00)	8,722,181.00	6,960,931.00	383,107.00	1,632,562.00	654,982.00	328,144.00	65,213,663.00	754,488.00	3,330,404.00	83,033,442.0
Net cash provided by (used in) operating activities	(20,543,516)	285,362,400	449,372,961	41,206,092	150,551,587	393,193,039	53,880,403	200,070,632	10,299,664	(404,948,178)	(126,862)	(4,675,099,511)	(3,516,781,289
CASH FLOWS FROM FINANCING ACTIVITIES													
Contributions received from units issued	100,482,172	241,352,952	1,055,368,841	163,387,798	40,689,546	178,938,717	18,979,782	74,163,306	102,181,825	1,017,918,758		4,673,115,907	7,666,579,60
Redemptions during the year	(79,938,656)	(382,005,472)	(493,247,742)	(84,643,013)	(179,126,691)	(229,402,947)	(28,403,056)	(279,779,199)	(47,458,938)	(626,935,330)	(1,474,001)	(783,498)	(2,433,198,54
Net cash provided by (used in) financing activities	20,543,516	(140,652,520)	562,121,099	78,744,785	(138,437,145)	(50,464,230)	(9,423,274)	(205,615,893)	54,722,887	390,983,428	(1,474,001)	4,672,332,409	5,233,381,06
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		144,709,880	1,011,494,060	119,950,877	12,114,442	342,728,809	44,457,129	(5,545,261)	65,022,551	(13,964,750)	(1,600,863)	(2,767,102)	1,716,599,77
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	132,548	108,587,711	140,724,148	119,129,580	59,498,818	40,556,392	6,302,356	6,187,281	27,556,048	72,000,915	28,048,446	30,629,217	639,353,46
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	<b>₽</b> 132,548	₱253,297,591	₱1,152,218,208	₱239,080,457	₽71,613,260	₱383,285,201	₱50,759,485	₱642,020	₱92,578,599	₽58,036,165	₱26,447,583	₽27,862,115	₱2,355,953,23



### **COMBINED STATEMENTS OF CASH FLOWS**

				Year Ended	December 31, 20	)22		
				Dollar Inv	estment Funds			
	Dollar Fixed Income Fund	Asian Emerging Companies Fund	Dollar Money Market Fund	Dollar Opportunity Fund	Dollar Global Multi-Asset Income Paying Fund	Total Dollar Investment Funds	Balanced Fund Eliminating Entries	Combined
CASH FLOWS FROM OPERATING ACTIVITIES			0.19		*			
Net income (loss) Changes in operating assets and liabilities:	(₱324,193,274)	₱2,116,792	<b>₽</b> 1,396,517	( <b>P</b> 857,598,898)	(₱87,053,367)	(₱1,265,332,230)	₱127,767,001	( <b>P</b> 4,862,614,556)
Net decrease (increase): Financial assets at fair value through profit or loss Receivables Net increase (decrease) in	555,456,158 (2,097,816)	138,216,645	16,326,788 (382,371)	702,871,906 -	(1,182,030,117)	230,841,380 (2,480,187)	(107,346,492) 296,181	318,900,713 (72,355,235)
Accounts payable, accrued expense and other liabilities	(413,485.00)		105,448.00	(298,520.00)	3,157,722.00	2,551,165.00	(173,175.00)	85,411,432.00
Net cash provided by (used in) operating activities	228,751,583	140,333,437	17,446,382	(155,025,512)	(1,265,925,762)	(1,034,419,872)	20,543,515	(4,530,657,646)
CASH FLOWS FROM FINANCING ACTIVITIES								
Contributions received from units issued	7,462,082	- I	2,206,681	181,198,904	1,276,306,146	1,467,173,813	(100,482,171)	9,033,271,246
Redemptions during the year	(246,837,246)	(140,333,437)	(47,030,814)	(43,980,293)	(6,685,216)	(484,867,006)	79,938,656	(2,838,126,893)
Net cash provided by (used in) financing activities	(239,375,164)	(140,333,437)	(44,824,133)	137,218,611	1,269,620,930	982,306,807	(20,543,515)	6,195,144,353
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,623,581)		(27,377,751)	(17,806,901)	3,695,168	(52,113,065)		1,664,486,707
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	26,589,768	·	174,780,316	21,609,533	6,950,108	229,929,725	_	869,283,185
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱15,966,187	P-	₱147,402,565	₱3,802,632	₱10,645,276	177,816,660	P-	₱2,533,769,892





### **COMBINED STATEMENTS OF CASH FLOWS**

							Year En	ided Decembe	er 31, 2021					
							Pes	o Investment	Fund					
	Balanced Fund	Peso Fixed Income Fund	Equity Fund	Growth Fund	Philippine Equity Advantage Fund Tranche 1	Philippine Equity Advantage Fund Tranche 2	Select Equities	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund	Own the New Economy Fund	Peso Global Technology Fund	Recovery Equity Fund	Peso Global Multi-Asset Income- Paying Fund
CASH FLOWS FROM OPERATING ACTIVITIES														
Net income (loss) Changes in operating assets and liabilities: Net decrease (increase):	₱45,239,477	(₱35,833,052)	P753,361,998	₱122,430,563	₱3,577,348	₱1,737,549	(₱5,139,594)	₱2,030,272	(P19,902,895)	₱205,200,415	₽51,540,131	₱660,357,190	₱34,693,611	₽5,537,124
Financial assets at fair value through profit or loss Subscription receivable Investment income receivable Other receivables Net decrease (increase) in	(45,556,128) (195,797) – 193,654	73,502,712 5,391,555 (2,852,603) (148,318)	(4,709,807) 940,726	454,647	=	(1,737,549) - - -	23,840,321 (470,348) 3,008,037	(3,785,470) (5,308,589) 800		(187,668,646) (367,711) - 10,000	) (56,258,283) ) (699,013) (35,292)	(692,302,302) (96,140,571) - 20,018,499	(40,136,267 - (137,362	(31,492,776
Investments	23.164.659	58 474 867	(1.360.943.974)	(280 523 706)	309 248 348	151 107 549	(11.054.653)	(19.559.356)	17 884 439	(182,600,001)	(60 277 728)	(3,870,000,000)	(279 948 169)	(320,000,000
Net increase (decrease) in Accounts payable, accrued and other liabilities	318,792	3,184,699	4,240,791	(5,047,798)		-	(3,666,485)	,	.,,	(13,533,085)			(4,467,925)	
Net cash generated from (used in) operating activities	23,164,657	101,719,860	(1,411,886,374)	(306,722,976)	309,248,348	151,107,549	6,517,278	(26,742,762)	13,142,156	(178,959,028)	(66,592,281)	(3,974,976,533)	(289,996,112)	(351,507,034
CASH FLOWS FROM FINANCING ACTIVITIES Netcontributions to (redemptions from) the funds	(23,164,659)	(116,980,008)	596,589,584	138,501,776	(309,248,348)	) (151,107,549	) (242,756,356)	26,392,494	(67,460,364	) 170,652,887	74,935,534	4,027,583,380	(614,233)	382,136,251
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2)	(15,260,148)	(815,296,790)	(168,221,200)	4		(236,239,078)	) (350,268)	(54,318,208	) (8,306,141)	8,343,253	52,606,847	(290,610,345)	30,629,217
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	132,550	123,847,859	956,020,938	287,350,780	- <u>                                  </u>	<u> </u>	295,737,896	40,906,660	60,620,564	14,493,422	19,212,795	19,394,068	318,658,791	<u> </u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱132,548	₱108,587,711	₱140,724,148	₱119,129,580	₽-	₽-	₽59,498,818	₱40,556,392	₽6,302,356	₽6,187,281	₱27,556,048	₽72,000,915	₱28,048,446	₱30,629,217

See accompanying Notes to Combined Financial Statements.



### **COMBINED STATEMENTS OF CASH FLOWS**

					nded Decembe			
				Doll	ar Investment	Funds		
	Dollar Fixed Income Fund	Asian Emerging Companies Fund	Euro B <b>l</b> ue Chips Do <b>ll</b> ar Fund	Do <b>ll</b> ar Money Market Fund	Opportunity	Dollar Globa Multi-Asse Income Paying Fund	t Fund g E <b>l</b> iminating	Combined
CASH FLOWS FROM OPERATING ACTIVITIES								
Net income (loss) Changes in operating assets and liabilities: Net decrease (increase):	( <del>P</del> 79,406,321)	(₱126,579,518 <u>)</u>	₱9,009,377	7 ₱16,592	₱174,834,816	₱1,930,775	(₱45,556,128)	₱1,759,079,73C
Financial assets at fair value through profit or loss Subscription receivable Investment income receivable	200,685,648 1,342,814 4,851,472	126,579,518 - -	(9,009,377 <u>)</u> - -	28,688	(238,289,749) 5,537,625	(1,220,532)	195,797	(1,724,666,228) (127,752,536) 6,268,038
Other receivables Net decrease (increase) in	1,201	4.35	<del>-</del>		15,369,281		209,607	21,743,764
Investments	556,576,055		380,142,500	<u> </u>	(1,377,521,825	) (117,108,910)	(23,164,659)	(6,406,104,564)
Net increase (decrease) in Accounts payable, accrued and other liabilities	(1,502,429)	_		(135,640)	1,151,808	75,944	(405,404)	(17,789,314)
Net cash generated from (used in) operating activities	682,548,440	- 14   <u>-</u> 1	380,142,500	11,180,991	(1,418,918,044)	) (118,527,086)	(23,164,659)	(6,489,221,110
CASH FLOWS FROM FINANCING ACTIVITIES Netcontributions to (redemptions from) the funds	(800,681,971)	ļķš-j	(380,142,500)	) (18,396,452)	1,435,596,099	9 125,477,194	23,164,659	4,890,477,418
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(118,133,531)	_	_	(7,215,461)	16,678,055	6,950,108	- (	1,598,743,692)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	144,723,299	Ţ <u>-</u>		181,995,777	4,931,478	37.HTL	- 2	2,468,026,877
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱26,589,768	₽-	₽-	₱174,780,316	₱21,609,533	₱6,950,108	P-	₱869,283,185

See accompanying Notes to Combined Financial Statements.



#### NOTES TO COMBINED FINANCIAL STATEMENTS

Following are the investment objectives of the Separate Funds:

#### Peso Investment Funds

#### Balanced Fund

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

#### Fixed Income Fund

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

#### Equity Fund

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

#### Growth Fund

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

#### Philippine Equity Advantage Fund - Tranche 1

This fund was offered for a limited period in February 2014. The objective of this fund is to deliver competitive returns on peso-denominated variable life insurance by investing in a structured note linked to a custom index exposed to the Philippine Equity market. This fund is fully invested in a 7- year, Peso-Denominated, Dollar-settled structured note issued by

#### 1. INVESTMENT FUND INFORMATION

On February 14, 2005, the Insurance Commission ("IC") approved the license of The Insular Life Assurance Co., Ltd. (the "Company") to sell variable-unit linked ("VUL") insurance contracts, a life insurance product that is linked to investment in Insular Life Wealth Series Funds (the "Separate Funds"). The Separate Funds of the Company consisted of the following Philippine Peso ("Peso") Investment Funds and United States Dollar ("Dollar") Investment Funds:

#### Peso Investment Funds

Balanced Fund
Peso Fixed Income Fund
Equity Fund(
Growth Fund(
Philippine Equity Advantage Fund Tranche 1\*
Philippine Equity Advantage Fund Tranche 2\*
Select Equities Fund
Peso Money Market Fund
Select Equities Fund 2(
Peso Global Equity Fund
Own the New Economy( ONE) Fund
Peso Global Technology Fund
Recovery Equity Fund
Peso Global Multi-Asset Income-Paying Fund
\*\*This fund mutured in 2021.\*\*

(established and launched in March 2005)
(established and launched in March 2005)
established and launched in March 2005)
established and launched in February 2011)
(established and launched in February 2014)
(established and launched in April 2014)
(established and launched in January 2015)
(established and launched in January 2016)
established and launched in June 2016)
(established and launched in July 2017)
(established and launched in September 2018)
(established and launched in January 2020)
(established and launched in November 2020)
(established and launched in November 2020)

#### **Dollar Investment Funds**

Dollar Fixed Income Fund Asian Emerging Companies Dollar Fund Euro Blue Chips Dollar Fund\*( Dollar Money Market Fund Dollar Opportunity Fund Dollar Global Multi-Asset Income Paying Fund \*This fund matured in 2021. (established and launched in September 2007) (established and launched in May 2013) established and launched in July 2014) (established and launched in January 2016) (established and launched in November 2020) (established and launched in November 2021)



#### NOTES TO COMBINED FINANCIAL STATEMENTS

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. This fund matured on February 18, 2021.

#### Philippine Equity Advantage Fund - Tranche 2

This fund was offered for a limited period in April 2014. The objective of this fund is to deliver competitive returns on peso-denominated variable life insurance by investing in a structured note linked to a custom index exposed to the Philippine Equity market. This fund is fully invested on a 7-year, Peso-Denominated, Dollar-settled structured note issued by BNP Paribas in April 2014. The structured note provides principal protection at maturity and an upside potential determined through a participation in the performance of Insular Philippine Equity PHP 2 VT 10% Index. This fund matured on April 16, 2021.

#### Select Equities Fund

This fund provides long-term portfolio growth from capital appreciation by primarily investing in ten (10) of the most liquid and well-capitalized dividend-paying stocks listed in the PSE. It also invests in short-term money market instruments.

#### Money Market Fund

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

#### Select Equities Fund 2

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

#### Peso Global Equity Fund

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

#### Own the New Economy (ONE) Fund

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

#### Peso Global Technology Fund

The Fund seeks to achieve long-term capital appreciation by investing all or substantially all its assets in a collective investment scheme that invests principally in equity securities of companies throughout the world that derive or benefit significantly from technological advances and improvements.

#### Recovery Equity Fund

The Fund seeks to provide a short to medium term portfolio growth from capital appreciation. The fund will employ an active approach to investing to take advantage of market weakness and ride the road to market and economic recovery, by investing primarily in common stocks listed in the Philippine Stock Exchange. The fund has a 5-year horizon from launch date and a return objective of 25% of single premium net of early withdrawals. Reaching the return objective prior to end of the 5-year



#### NOTES TO COMBINED FINANCIAL STATEMENTS

period from launch date will allow options for the policyholder to exit the fund.

#### Peso Global Multi-Asset Income-Paying Fund

The Fund seeks to achieve income and long-term capital growth by investing majority of its assets in ATRAM Global Multi-Asset Income Feeder Fund, a unit investment trust fund (UITF) approved by the Bangko Sentral ng Pilipinas (BSP).

#### <u>Dollar Investment Funds</u> Fixed Income Fund

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

#### Asian Emerging Companies Dollar Fund

This fund was offered for a limited period in May 2013. The objective of this fund is to deliver competitive returns on Dollar-denominated variable life insurance by investing in a structured note that provides exposure to emerging companies in Asia through a customized risk-control index called ING Asian Emerging Companies VT 10% Index. The fund is fully invested in a 10-year, Dollar-structured note issued by ING Bank N.V. in May 2013. Maturity benefit of the note is paid out in four equal payouts on the 7th, 8th, 9th, and 10th anniversary. The payout will include both portion of the principal and the upside potential observed during the first 7 years through a participation in the performance of the ING Asian Emerging Companies VT 10% Index.

#### Euro Blue Chips Dollar Fund

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

called ING European Blue-Chip Companies VT 10% Index. The fund is fully invested in a 7-year, Dollar-structured note linked to ROP credit issued by ING Bank N.V. in July 2014. The structured note provides principal protection at maturity and an upside potential determined through a participation in the performance of ING European Blue-Chip Companies VT 10% Index. This fund matured on July 15, 2021.

#### Money Market Fund

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

#### **Opportunity Fund**

The Fund seeks to achieve income and long-term capital growth by investing majority of its assets in ATRAM Global Multi-Asset Income Feeder Fund, a (UITF) approved by the BSP.

Balanced Fund, Peso Fixed Income Fund, Equity Fund, Growth Fund, Select Equities Fund, Peso Money Market Fund, Select Equities Fund 2, Own the New Economy Fund, Peso Global Equity Fund, Peso Global Technology Fund, Recovery Equity Fund, Peso Global Multi-Asset Income-Paying Fund, Dollar Fixed Income Fund, Dollar Money Market Fund, Dollar Opportunity Fund and Peso Global Multi-Asset Income-Paying Fund are classified as "Traditional VUL." Philippine Equity Advantage Fund Tranche 1, Philippine Equity Advantage Fund Tranche 2, Asian Emerging Companies Dollar Fund, and Euro Blue Chips Dollar Fund are classified as "Structured VUL."

The Company entered into Service Level Agreement with a third-party multinational bank (the "Fund Administrator") accredited by the BSP. Under this agreement, the Fund Administrator, shall perform fund accounting, valuation services and custodianship of the Separate Funds.



#### NOTES TO COMBINED FINANCIAL STATEMENTS

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

The combined financial statements were authorized for issue by the President and Chief Executive Officer of the Company on May 19, 2023.

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

#### **Statement of Compliance**

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

#### **Basis of Financial Statement Preparation**

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

The combined financial statements include the financial statements of the 17 Separate Wealth Series Funds comprised of Peso Investment Funds and Dollar Investment Funds as of and for the years ended December 31, 2022 and 2021. The Peso Investment Funds consist of Balanced Fund, Peso Fixed Income Fund, Equity Fund, Growth Fund, Select Equities Fund, Peso Money Market Fund, Select Equities Fund 2, Peso Global Equity Fund, Own the New Economy Fund, Peso Global Technology Fund, Recovery Equity Fund and Peso Global Multi-Asset Income-Paying Fund. Dollar Investment Funds consist of Dollar Fixed Income Fund, Dollar Money Market Fund, Asian Emerging Companies Dollar Fund, Dollar Opportunity Fund and Dollar Global Multi-Asset Income-Paying Fund. Inter-fund investments are eliminated in full.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted by the Separate Funds are consistent with those of the previous financial year, except for the following new pronouncements effective January 1, 2022. The adoption of these amendments did not have any significant impact on the combined financial statements.

- Amendments to PFRS 3, Reference to the Conceptual Framework
- Amendments to PAS 16, Plant and Equipment: Proceeds before Intended Use
- Amendments to PAS 37, Onerous Contracts Costs of Fulfilling a Contract
- Annual Improvements to PFRSs 2018-2020 Cycle
  - Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter
  - Amendments to PFRS 9, Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities
  - Amendments to PAS 41, Agriculture, Taxation in fair value measurements

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

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure of Accounting Policies
- Amendments to PAS 8, Definition of Accounting Estimates
- Amendments to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction



#### NOTES TO COMBINED FINANCIAL STATEMENTS

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, Classification of Liabilities as Current or Non-current
- Amendments to PFRS 16, Lease Liability in a Sale and Leaseback

#### Deferred effectivity

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

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of change in value.

#### Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions

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

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

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

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date
- Level 2 inputs other than quoted prices included within Level 1 that are observable either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability For assets that are recognized in the combined financial statement on a recurring basis, the Separate Funds determine whether transfers between level in the hierarchy have occurred by reassessing categorization at the end of each reporting period.

## Financial Instruments - Initial Recognition Date of recognition

The Separate Funds recognize a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established



#### NOTES TO COMBINED FINANCIAL STATEMENTS

by regulation or convention in the marketplace are recognized on the trade date.

#### Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for financial assets and liabilities FVTPL, the initial measurement of financial assets and liabilities includes transaction costs.

#### Classification and Subsequent Measurement of financial instruments Classification of financial assets

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

#### Contractual cash flows characteristics

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

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

#### Business model

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

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

As of December 31, 2022 and 2021, the Separate Funds have no financial assets classified as financial assets at FVOCI.

#### Financial assets at FVTPL

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

Financial assets held at FVTPL are initially recognized at fair value. Subsequently, they are measured at fair value and any gains or losses are recognized under the 'Net change in unrealized gains (losses) on investment' account in the profit or loss. Realized gains or losses arising from the trade of securities are taken under 'Realized gains (losses) on sale of investments'. Interest earned is reported in the statement of income under 'Interest income' while dividend income is reported under 'Dividends' when the right to receive payment has been established.

As of December 31, 2022 and 2021, the Separate Funds classified their investment in equity securities, debt securities, fixed income fund and equity fund as financial assets at FVTPL.

#### Financial assets at amortized cost

A debt financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order



#### NOTES TO COMBINED FINANCIAL STATEMENTS

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

#### Reclassifications of financial instruments

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

#### Financial liabilities at amortized cost

Issued financial instruments or their components, which are not designated at FVTPL, are classified as financial liabilities at amortized cost which includes 'Accounts payable' and 'Accrued and other liabilities', where the substance of the contractual arrangement results in the Separate Funds having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities at amortized cost are

subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

## Derecognition of Financial Assets and Liabilities Financial asset

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

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

#### Financial liability

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

#### Impairment of Financial Assets

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

#### Expected credit loss methodology

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



#### NOTES TO COMBINED FINANCIAL STATEMENTS

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

#### Definition of "default"

The Separate Funds define a financial instrument as in default in all cases when the counterparty becomes over 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a counterparty is in default, the Separate Funds also consider a variety of instances that may indicate objective evidence of impairment, such as, but not limited to, significant problems in the operations of the customers and bankruptcy of the counterparties.

#### Significant increase in credit risk (SICR)

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

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

#### Staging assessment

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired debt financial assets which have not experienced a SICR since initial recognition. The Separate Funds recognize a 12-month ECL for Stage 1 debt financial assets.
- Stage 2 is comprised of all non-impaired debt financial assets which have experienced a SICR since initial recognition. The Separat Funds recognize a lifetime ECL for Stage 2 financial assets.

For credit-impaired financial instruments:

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

#### ECL parameters and methodologies

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

#### Forward looking information

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

#### Offsetting Financial Instruments

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



#### NOTES TO COMBINED FINANCIAL STATEMENTS

#### Revenue Recognition (outside the scope of PFRS 15)

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

Interest income recognized using the effective interest rate method - Interest income is recognized in profit or loss for all instruments measured at amortized cost.

The EIR method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the

Separate Funds estimate cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

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

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

#### **Expense Recognition**

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

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

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

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

#### Foreign Currency Translation Transactions and balances

The combined financial statements are presented in Philippine peso, the Separate Funds' presentation currency and all values represent absolute amounts except when otherwise indicated. Items included in the combined financial statements of the Separate Funds are measured using their functional currency. Functional currency of the primary economic environment in which the Separate Funds operate. The Separate Funds use the Philippine peso as their functional currency, except for the dollar investment funds

For financial reporting purposes, dollar investment funds are translated in Philippine Peso based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the combined statement of financial



#### NOTES TO COMBINED FINANCIAL STATEMENTS

position date, and foreign currency-denominated income and expenses at the prevailing rates as at the date of transaction.

As at the reporting date, assets and accountabilities of accounts whose functional currency is US\$ are translated into the presentation currency in the combined financial statements at the prevailing closing rate. Foreign exchange differences arising from the revaluation of the foreign currency-denominated monetary assets and liabilities of the dollar investment are taken to the Statements of Comprehensive Income as "Cumulative Translation Adjustment" and presented under the "Net Assets Attributable to Unitholders" account.

#### 3. SIGNIFICANT JUDGMENT AND ESTIMATES

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

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

#### **Judgments**

As of December 31, 2022 and 2021, management assessed that there is no significant accounting judgement exercised in respect to the preparation of the Separate Funds' combined financial statements.

#### **Estimates**

The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities is as follows:

#### Fair value of financial instruments

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

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

As of December 31, 2022 and 2021, the carrying value of the investments in structured notes under financial assets at FVTPL amounted to Php 133,867,755 and Php 248,875,120, respectively (see Note 9).



#### NOTES TO COMBINED FINANCIAL STATEMENTS

#### 4. CASH AND CASH EQUIVALENTS

								2022								
				- 1 1 1 -	Peso Investme	ent Funds							Dollar Invest	ment Funds		
							1								Dollar	
											Peso Global				Multi-Asset	
				Select	Peso Money	Select	Peso Global		Peso Global		Multi-Asset		Dollar Money	Dollar	Income	
Balanced	Fixed	Equity	Growth	Equities	Market	Equities	Equity	ONE	Technology	Recovery	Income-Paying	Fixed	Market	Opportunity	Paying	
Fund	Income Fund	Fund	Fund	Fund	Fund	Fund 2	Fund	Fund	Fund	Equity Fund	Fund	Income Fund	Fund	Fund	Fund	Combined
₱132,548	₱100,515	₽89,054	₱30,934	₱98,413	₱38,986	₽52,819	P=42,020	₽78,599	₱36,165	₱13,771	₽62,115	₱15,966,187	₱16,633,105	₱3,802,632	₱10,645,276	₱47,823,139
_	253,197,076	1,152,129,154	239,049,523	71,514,847	383,246,215	50,706,666	600,000	92,500,000	58,000,000	26,433,812	27,800,000	-	130,769,460	-	-	2,485,946,753
₱132,548	₱253,297,591	₱1,152,218,208	₱239,080,457	₱71,613,260	₱383,285,201	₱50,759,485	₱642,020	₱92,578,599	₱58,036,165	₱26,447,583	₱27,862,115	₱15,966,187	₱147,402,565	₱3,802,632	₱10,645,276	₱2,533,769,892
	Fund ₱132,548	Fund         Income Fund           ₱132,548         ₱100,515           -         253,197,076	Fund         Income Fund         Fund           ₱132,548         ₱100,515         ₱89,054           -         253,197,076         1,152,129,154	Fund         Income Fund         Fund         Fund           ₱132,548         ₱100,515         ₱89,054         ₱30,934           -         253,197,076         1,152,129,154         239,049,523	Balanced         Fixed         Equity         Growth         Equities           Fund         Income Fund         Fund         Fund         Fund           P132,548         P100,515         P89,694         P30,934         P98,413           P10,254         253,197,076         1,152,129,154         239,049,523         71,514,847	Balanced         Fixed         Equity         Growth         Equities         Peso Money           Fund         Income Fund         Fund <t< td=""><td>Balanced         Fixed         Equity         Growth         Equities         Market         Equities           Fund         Income Fund         <t< td=""><td>  Balanced   Fixed   Equity   Growth   Equities   Fund   Income Fund   Fund  </td><td>  Peso Investment Funds   Peso</td><td>  Peso Investment Funds   Peso</td><td>  Peso Investment Funds   Peso Investment Funds   Peso Global   Peso Glo</td><td>  Peso Investment Funds</td><td>  Peso Investment Funds</td><td>  Peso Investment Funds   Peso Global   Peso</td><td>  Peso Investment Funds</td><td>  Peso   Peso  </td></t<></td></t<>	Balanced         Fixed         Equity         Growth         Equities         Market         Equities           Fund         Income Fund         Fund <t< td=""><td>  Balanced   Fixed   Equity   Growth   Equities   Fund   Income Fund   Fund  </td><td>  Peso Investment Funds   Peso</td><td>  Peso Investment Funds   Peso</td><td>  Peso Investment Funds   Peso Investment Funds   Peso Global   Peso Glo</td><td>  Peso Investment Funds</td><td>  Peso Investment Funds</td><td>  Peso Investment Funds   Peso Global   Peso</td><td>  Peso Investment Funds</td><td>  Peso   Peso  </td></t<>	Balanced   Fixed   Equity   Growth   Equities   Fund   Income Fund   Fund	Peso Investment Funds   Peso	Peso Investment Funds   Peso	Peso Investment Funds   Peso Investment Funds   Peso Global   Peso Glo	Peso Investment Funds	Peso Investment Funds	Peso Investment Funds   Peso Global   Peso	Peso Investment Funds	Peso   Peso

									2021								
						Peso Investr	nent Funds							Dollar Inves	ment Funds		
																Dollar	
																Global	
												Peso Global				Multi-Asset	
					Select	Peso Money	Select	Peso Global		Peso Global		Multi-Asset		Dollar Money	Dollar	Income	
	Balanced	Fixed	Equity	Growth	Equities	Market	Equities	Equity	ONE	Technology	Recovery	Income-Paying	Fixed	Market	Opportunity	Paying	
	Fund	Income Fund	Fund	Fund	Fund	Fund	Fund 2	Fund	Fund	Fund	Equity Fund	Fund	Income Fund	Fund	Fund	Fund	Combined
Cash in banks	₱132,548	₽87,711	₱24,148	₱29,580	₱98,818	₱56,392	₱102,356	₽87,281	₱56,048	₱915	₽48,446	₱29,217	P26,589,768	P5,211,859	₱21,609,533	₱6,950,108	₱61,114,728
Cash equivalents	_	108,500,000	140,700,000	119,100,000	59,400,000	40,500,000	6,200,000	6,100,000	27,500,000	72,000,000	28,000,000	30,600,000	_	169,568,457		_	808,168,457
	₱132,548	₱108,587,711	₱140,724,148	₱119,129,580	P59,498,818	P40,556,392	₱6,302,356	₱6,187,281	₱27,556,048	₱72,000,915	₱28,048,446	P30,629,217	₱26,589,768	₱174,780,316	P21,609,533	₱6,950,108	₱869,283,185

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of between one day and three months and earn interest at the prevailing short-term deposit rates. Interest income on bank deposits totaled Php 27,987,314 and Php 4,697,737 in 2022 and 2021, respectively.



#### NOTES TO COMBINED FINANCIAL STATEMENTS

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

#### **INVESTMENTS IN DEBT SECURITIES**

			2022			
	Pesol	nvestment Funds		Dollar Investmen	nt Funds	
			Growth	T. T	Asian Emerging	
	Fixed Income Fund	Equity Fund	Fund	Fixed Income Fund	Companies Fund	Combined
Acquisition cost	₱2,407,662,901	₱24,672,962	₱98,594,040	₱2,368,456,333	₱10,000,000	₱4,909,386,236
Accumulated fair value gains (losses)	(120,918,461)	140,142	407,548	(406,281,211)	123,867,755	(402,784,227)
Fair value	₱2,286,744,440	₱24,813,104	₱99,001,588	₱1,962,175,122	₱133,867,755	₱4,506,602,009

	Peso Investment Funds Dollar Investment Funds										
The state of the s		Philippine	Philippine	Joo III V OSGI II CITIC I GITGO					and invocationer disc		
		Equity Advantage	Equity Advantage		Growth	Peso Money	Select Equities		Asian Emerging	Euro Blue	
	Fixed Income Fund	Fund Tranche 1	Fund Tranche 2	Equity Fund	Fund	Market Fund	Fund 2	Fixed Income Fund	Companies Fund	Chips Dollar Fund	Combined
Acquisition cost	P2,724,919,602	P305,000,000	P150,000,000	P1,024,385,048	₱168,784,629	P388,405,164	P19,892,308	P2,441,584,489	P10,000,000	P7,550,000	P7,240,521,240
Accumulated fair value gains (losses)	(74,182,842)	(305,000,000)	(150,000,000)	3,208,264	364,740	1,004,681	88,798	(144,376,175)	238,875,120	(7,550,000)	(437,567,414)
Fair value	₱2,650,736,760	P-	P-	₱1,027,593,312	P169,149,369	P389,409,845	P19,981,106	P2,297,208,314	P248,875,120	P-	P6,802,953,826

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

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

			202	2		
	Pesc	Investment Funds		Dollar Investn	nent Funds	
				Fixed Income	Asian Emerging	
	Fixed Income Fund	Equity Fund	Growth Fund	Fund	Companies Fund	Combined
Due within one year	₱667,470,772	₱24,813,104	₱99,001,588	₽-	<b>P</b> 133,867,755	P925,153,219
Due after one year through five years	783,940,746		-	526,490,869	_	1,310,431,615
Due beyond five years	835,332,922	-		1,435,684,253	_	2,271,017,175
	<b>₱</b> 2,286,744,440	<b>₽</b> 24,813,104	<b>P</b> 99,001,588	<b>P</b> 1,962,175,122	<b>₱</b> 133,867,755	P4,506,602,009

				202				
		Pe	so Investment Funds			Dollar Investr	ment Funds	
				Peso Money	Select Equities		Asian Emerging	
	Fixed Income Fund	Equity Fund	Growth Fund	Market Fund	Fund 2	Fixed Income Fund	Companies Fund	Combined
Due within one year	P913,880,689	P1,027,593,312	P169,149,369	P389,409,845	₱19,981,106	P-	₱248,875,120	P2,768,889,441
Due after one year through five years	972,670,105	-	-	-	-	642,325,061	-	1,614,995,166
Due beyond five years	764,185,966	-	-	-	-	1,654,883,253	-	2,419,069,219
	P2,650,736,760	P1,027,593,312	P169,149,369	P389,409,845	₱19,981,106	P2,297,208,314	₱248,875,120	P6,802,953,826

Interest income from investment in debt securities totaled Php 234,167,635 and Php 232,293,099 in 2022 and 2021, respectively.



### NOTES TO COMBINED FINANCIAL STATEMENTS

#### INVESTMENTS IN UNIT INVESTMENT TRUST FUND

			202	2		
	Pe	eso Investment Funds			Dollar Investment Funds	
			Peso Global Multi-		Dollar Global Multi-	
	Peso Global	Peso Global	Asset Income-Paying	Dollar	Asset Income Paying	
	Equity Fund	Technology Fund	Fund	Opportunity Fund	Fund	Combined
Acquisition cost	₱1,471,125,684	₱5,823,184,281	₱4,983,135,786	₱2,237,999,331	<b>₱</b> 1,394,182,869	₱15,909,627,951
Accumulated fair value gains (losses)	(75,761,090)	(908,741,129)	(143,372,748)	(826,851,207)	(80,957,829)	(2,035,684,003)
Fair value	<b>P</b> 1,395,364,594	₱4,914,443,152	P4,839,763,038	<b>₽</b> 1,411,148,124	<b>₱1,313,225,040</b>	<b>P</b> 13,873,943,948
			2021			

			2021			
	P	eso Investment Funds	3	Dollar Investm	nent Funds	
	Subject of the second				Dollar Global Multi-	
	Peso Global	Peso Global	Peso Global Multi-Asset	Dollar	Asset Income Paying	
	Equity Fund	Technology Fund	Income-Paying Fund	Opportunity Fund	Fund	Combined
Acquisition cost	P1,466,366,253	P4,796,459,092	P320,000,000	P1,746,604,201	P117,297,700	₱8,446,727,246
Accumulated fair value gains (losses)	185,903,160	675,902,698	5,735,786	185,362,687	2,015,573	1,054,919,904
Fair value	₱1,652,269,413	<b>₽</b> 5,472,361,790	₽325,735,786	P1,931,966,888	<b>₱</b> 119,313,273	₱9,501,647,150

#### **INVESTMENTS IN EQUITY SECURITIES**

		2022									
			Pes	Investment Funds							
						Recovery					
	Equity	Growth	Select Equities	Select Equities	ONE	Equity					
	Fund	Fund	Fund	Fund 2	Fund	Fund	Total				
Acquisition cost	<b>P</b> 14,575,446,536	₱4,015,482,683	P3,120,059,375	₱461,678,213	₱600,001,172	₱423,679,118	P23,196,347,097				
Accumulated fair value gains (losses)	(1,560,574,476)	(524,535,238)	(317,968,059)	(83,745,478)	(94,225,791)	(69,183,019)	(2,650,232,061)				
Fair value	<b>P</b> 13,014,872,060	₱3,490,947,445	₱2,802,091,316	₱377,932,735	<b>₱</b> 505,775,381	₱354,496,099	P20,546,115,036				

				202			
			Pes	o Investment Funds			
						Recovery	
	Equity	Growth	Select Equities	Select Equities	ONE	Equity	
	Fund	Fund	Fund	Fund 2	Fund	Fund	Total
Acquisition cost	₱13,282,600,742	₱3,891,590,536	₱3,251,882,544	₱516,934,881	₱561,586,909	P400,102,067	₱21,904,697,679
Accumulated fair value gains (losses)	518,166,472	50,245,665	(7,867,668)	(19,803,748)	25,258,338	16,370,172	582,369,231
Fair value	₱13,800,767,214	P3,941,836,201	₱3,244,014,876	₱497,131,133	P586,845,247	P416,472,239	P22,487,066,910



#### NOTES TO COMBINED FINANCIAL STATEMENTS

#### 6. RECEIVABLES

									20:	22								
					Peso Investment Funds						Dollar Investment Funds							
	Balanced Fund	Fixed Income Fund	Equity Fund	Growth Fund	Select Equities Fund	Peso Money Market Fund	Select Equities Fund 2	Peso Global Equity Fund	ONE Fund	Peso Global Technology Fund	Recovery Equity Fund	Peso Global Multi-Asset Income Paying Fund	Dollar Fixed Income Fund	Dollar Money Market Fund	Dollar Opportunity Fund	Dollar Global Multi-Asset Income Paying Fund	Balanced Fund Eliminating Entries	
Investment income receivables:					1													
Accrued interest Accrued dividends	₽-	₱22,302,122 -	₱2,740,661 35.838.019	₱668,976 11.141.476	₱158,103 8,736,770	₱1,947,724 -	₱199,802 2.527.292	₽33	₱5,139 2,291,984	₽3,222	₱4,938 1.565.726	₱1,544 -	₱44,757,125 -	₱396,667 -	₽-	<b>p</b> -	₽-	₱73,186,05 62,101,26
Total investment income receivables	Ł	22,302,122	38,578,680	11,810,452	8,894,873	1,947,724	2,727,094	33	2,297,123	3,222	1,570,664	1,544	44,757,125	396,667	<u>-</u>	_		135,287,32
Subscriptions receivable Other receivables	72,791 1,000	708,302 3,613,314	5,725,254 3,619,468	932,758	266,234	14,062	10,177	227	1,092,986	25,000,000	1 1	14,858,564	-	1			(72,791) (7,226,628)	23,608,33 25,007,38
	₽73,791	₱26,623,738	P47,923,402	₱12,743,210	₱9,161,107	₱1,961,786	₱2,737,271	₽260	P3,390,109	₱25,003,222	<b>₱1,570,664</b>	₱14,860,108	P44,757,125	₱396,667	₽-	P-	(\$7,299,419)	P183,903,04

									20	21								
						Peso Investr	nent Funds						1	Dollar	Investment F	unds	- 11 14 - 1	-41
											n. 11 Line	Peso Global				Dollar Global		THE
		Fixed			Select	Peso Money	Select	Peso Global		Peso Global	Recovery	Multi-Asset		Dollar Money	Dollar	Multi-Asset	Balanced Fund	
	Balanced	Income	Equity	Growth	Equities	Market	Equities	Equity	ONE	Technology	Equity	Income Paying			Opportunity	Income Paying	Eliminating	
	Fund	Fund	Fund	Fund	Fund	Fund	Fund 2	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Entrie	s Combined
Investment income receivables:																		
Accrued interest	₽-	₱19,742,873	₽-	₽-	₽-	₽-	₽-	₽-	₽-	₽-	₽-	₽-	P42,659,310	₱14,293	₽-	₽-	₽-	₱62,416,476
Accrued dividends	<u> </u>	-	6,154,891	1,793,960	1,250,998	_	302,300	-	313,822	_	137,362	-	<del>-</del>		<del>-</del>	<del>-</del> -	<u> </u>	9,953,333
Total investment income			Maria and a									14, 4					Tal P. Nr., 2 nr	
receivables	-	19,742,873	6,154,891	1,793,960	1,250,998		302,300		313,822	<del>-</del> 1	137,362	-	42,659,310	14,293	- ·		<del>-</del>	72,369,809
Subscriptions receivable	195,797	97,899	4,709,807	767,235	470,348	5,308,589	127,503	367,711	699,013	120,282,579	<del>_</del>	31,492,776	1,275	-	2,040	1,220,532	(195,797)	165,547,307
Other receivables	1,000	3,465,224	14,827,349	4,206,524	-	-	-	-	-	-	_	-	_	-	-	_	(6,930,447)	15,569,650
	₱196,797	₱23,305,996	P25,692,047	P6,767,719	₱1,721,346	₱5,308,589	P429,803	₱367,711	₱1,012,835	₱120,282,579	₱137,362	P31,492,776	P42,660,585	₱14,293	₱2,040	₱1,220,532	(P7,126,244)	P253,486,766

- Accrued interest receivable pertains to interest earned on investments in debt securities and short-term investments but not yet received by the Separate Funds as of reporting date. Interest rates for debt securities and time deposits range from 2.38% to 10.63% and from 1.00% to 5.65%, respectively, in 2022 and from 2.38% to 10.63% and 0.125%, respectively, in 2021.
- Accrued dividend receivables are noninterest-bearing and pertain to dividends earned on investment in equity securities but not yet received by the Separate Funds.
- Dividends from investment in equity securities totaled Php 586,106,317 and Php 449,100,627 in 2022 and 2021, respectively.
- Subscription receivable pertains to the value of units subscribed but the consideration is not yet received as at reporting date.
- Other receivables include inter-fund receivables and unsettled sales as at reporting period.



### NOTES TO COMBINED FINANCIAL STATEMENTS

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

									Decemb	er 31, 2022								
		Peso Investment Funds							Dollar Investment Fund									
												Peso Global				Dollar Global		
		Fixed			Calast I	Dana Manay	Calast	Peso		Door Clobal	Deserven	Multi-Asset	Fixed	Dollar	Dollar	Multi-Asset	Balanced	
	Delevered		F 14	C41-		Peso Money	Select	Global	ONE	Peso Global	Recovery	Income		Money		Income	Fund	
	Balanced Fund	Income Fund	Equity Fund	Growth Fund	Equities Fund	Market Fund	Equities Fund 2	Equity Fund	ONE Fund	Technology Fund	Equity Fund	Paying Fund	Income Fund	Fund	Opportunity Fund	Paying Fund	Eliminating Entries	Combined
Accounts payable:																		
Due to broker	₽72,791	P-	P27,522,541	₽9,270,163	₽7,493,282	₽-	<b>P1,761,617</b>	₽-	₱1,911,737	₽-	₱869,445	P-	₽-	P-	P-	P-	(P72,791)	P48,828,785
Redemptions payable	_	-	-	_	_	_		775,119	-	40,404,270	_	_	27,513	8,000	30,970	2,283,831	-	43,529,703
Payable to other funds	7,226,628		<u>-</u>	-		_			- T	-	<del>-</del>		-	-	<b>-</b>	-	(7,226,628)	- 1 - 1
	7,299,419	-	27,522,541	9,270,163	7,493,282	-	1,761,617	775,119	1,911,737	40,404,270	869,445	-	27,513	8,000	30,970	2,283,831	(7,299,419)	92,358,488
Accrued expenses and other liabilities:				4-								- '			Paris I		1689	15.4
Management fees payable																		
(Note 8)		3,350,793	23,856,264	6,466,375	4,328,453	145,529	726,825	1,092,456	998,859	3,700,742	643,137	3,451,457	2,588,081	55,966	1,057,969	932,787	_	53,395,693
Administration fees payable																		
(Note 8)	24,917	50,262	268,383	72,747	55,652	7,358	8,177	18,208	11,237	65,307	7,235	60,908	38,821	1,886	18,670	16,460	_	726,228
Custody fees payable (Note 8)	_	5,888	147,223	43,475	34,466	_	5,348	_	6,025	-	6,696	_	5,154	_	- I	_	_	254,275
Professional fees payable	_	68,812	68,812	68,812	68,812	_	68,812	_	68,812	_	68,812		68,268	_		_	_	549,952
Taxes payables	_	4,463,200	669,818	176,215	53,218	389,836	42,367	723	15,765	3,295	7,233	2,443	1,728	59,572	730	588	_	5,886,73
Other payables	_	5,357	_	-	_	_		- I		25,000,227	_		-	-	_	_	_	25,005,584
	24,917	7,944,312	25,010,500	6,827,624	4,540,601	542,723	851,529	1,111,387	1,100,698	28,769,571	733,113	3,514,808	2,702,052	117,424	1,077,369	949,835	-	85,818,463
																		P
	₱7,324,336	₱7.944.312	₱52.533.041I	₱16.097.787	P12.033.883	₱542.723	₱2.613.146	₱1.886.506	₱3.012.435	P69,173,841	P1.602.558	P3.514.808	₱2,729,565	P125.424	₱1,108,339 I	3.233.666	(P7.299.419)	178,176,95

									Decembe	r 31, 2021								
	1 = 11					Peso Investn	nent Funds					111 - 11		Dolla	r Investment I	und		
		Fixed			Select P	eso Money	Select	Peso Global		Peso Global		Peso Global Multi-Asset Income	Fixed	Dollar Money	Pollar	Dollar Global fulti-Asset Income	Balanced Fund	
	Balanced Fund	Income Fund	Equity Fund	Growth Fund	Equities Fund	Market Fund	Equities Fund 2	Equity Fund		Technology Fund	Equity Fund	Paying Fund	Income Fund		Opportunity Fund	Paying Fund	Eliminating Entries	Combined
Accounts payable																		
Due to broker	₱195,797	₽-	P31,898,592	₽-	₽-	₽-	₽-	₽-	₱1,563,573	₽-	₽	₽-	₽-	₽-	P-	₽-	(P195,797)	₱33,462,165
Redemptions payable	_	74,969		-	-	_	-	-		-	-	_	8,574	715	8,682	_	<del>_</del>	92,940
Due to related party	6,930,447	_	_	_	_	_	_	_	-	_	_	_		-	-	_	(6,930,447)	_
	7,126,244	74,969	31,898,592	_	-	-	-	-	1,563,573	_	_	-	8,574	715	8,682	_	(7,126,244)	33,555,105
Accrued and other liabilities:																		
Management fees payable (Note 8) Administration fees payable	) –	3,515,448	25,362,869	7,155,756	4,902,194	150,705	898,525	1,210,864	1,032,466	3,890,188	753,675	181,200	3,018,224	14,845	1,373,477	74,625	_	53,535,061
(Note 8)	26,389	52,732	285,332	80,502	63,028	7,619	10,108	20,278	11,615	68,670	8,479	3,198	45,274	2,228	24,238	1,317	-	711,007
Custody fees payable (Note 8)	_	5.796	168,540	49,483	37,786	1,128	5.970	_	7.672		8.831	_	6.367	_			_	291,573
Professional fees payable	_	62,557	62,557	62,557	62,557		62,557	_	62,557	_	62,557		63,514	_	_	_	_	501.413
Taxes payables	-	3,950,023	111,528	26,906	5.883	165	2,724	383	5,111	1,320	12.428	6	1.097	2.188	462	2	_	4,120,226
Other payables	_	5,361	39,772	401	1,503	_	700	_	1,300	_	2,100	_	-	_	* <u>-</u>	_	_	51,137
	26,389	7,591,917	26,030,598	7,375,605	5,072,951	159,617	980,584	1,231,525	1,120,721	3,960,178	848,070	184,404	3,134,476	19,261	1,398,177	75,944		59,210,417
	₱7,152,633	₱7,666,886	P57,929,190	₱7,375,605	₱5,072,951	₱159,617	₱980,584	₱1,231,525	₱2,684,294	₱3,960,178	₱848,070	₱184,404	₱3,143,050	₱19,976	₱1,406,859	₱75,944	(P7,126,244)	₱92,765,522



#### NOTES TO COMBINED FINANCIAL STATEMENTS

management fees payable as of December 31, 2022 and 2021 amounted to Php 53,395,693 and Php 53,535,061, respectively (see Note 7).

#### b) Administration fees

Pursuant to the Service Level Agreement, the Fund Administrator is entitled to receive administration fee payable monthly in arrears and calculated at 1.50 to 2.25 basis points in a progressive tiering per fund based on the net asset value before deduction of the administration, custody, and investment management fees. Passively managed investments do not incur administration fees in 2022 and 2021.

Administration fees expense amounted to Php 8,270,586 and Php 7,967,926 in 2022 and 2021, respectively. Administration fees payable as of December 31, 2022 and 2021 amounted to Php 726,228 and Php 711,007, respectively (see Note 7).

#### c) Custody fees

Pursuant to the Service Level Agreement, the Fund Custodian is entitled to receive 0.30 basis points 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 is no custody fee expense incurred and charged to the Separate Funds for all structured notes in 2022 and 2021.

Custody fees expense amounted to Php 3,094,691 and Php 3,385,062 in 2022 and 2021, respectively. Outstanding balances of custody fees payable amounted to Php 254,275 and Php 291,573 as of December 31, 2022 and 2021, respectively (see Note 7).

#### 8. FEES

#### a) Management fees

Pursuant to the investment management agreement, the Fund Manager is entitled to receive from the Separate Funds an investment management fee equal to the following rates per annum based on the net asset value before deduction of the administration, custody, and investment management fee:

Peso Fixed Income Fund	1.500%	
Dollar Fixed Income Fund	1.500%	
Select Equities Fund	1.750%	
Peso Money Market Fund	0.445%	
Dollar Money Market Fund	0.445%	
Growth Fund	2.000%	
Equity Fund	2.000%	
Select Equities Fund 2	2.000%	
Peso Global Equity Fund	2.000%	
Own the New Economy (ONE) Fund	2.000%	
Peso Global Technology Fund	2.000%	
Recovery Equity Fund	2.000%	
Dollar Opportunity Fund	2.000%	
Peso Global Multi-Asset Income-Paying Fund	2.000%	
Dollar Global Multi-Asset Income Paying Fund	2.000%	

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

Investment management fees expense amounted to Php 612,657,042 and Php 583,108,541 in 2022 and 2021, respectively. Investment



### NOTES TO COMBINED FINANCIAL STATEMENTS

#### 9. FINANCIAL INSTRUMENTS

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

			2022		
	Peso Invest	ment Funds	Dollar Inves	tment Funds	
	Fair Value through profit or loss	Financial Assets as amortized cost	Fair Value through profit or loss	Financial Assets as amortized cost	Total
Financial assets at FVTPL Traditional VULs:					
Cash and cash equivalents	P-	<b>₽</b> 2,355,953,232	P-	₱177,816,660	<b>P</b> 2,533,769,892
Equity securities-quoted	20,546,115,036	1 to 14 14 15 =		**************************************	20,546,115,036
Debt securities with fixed rates					
quoted	2,410,559,133	_	1,962,175,121	### 1	4,372,734,254
Subscription receivable	1,319°	23,608,337	<u> </u>	<u> </u>	23,608,337
Investment income receivable	<u>-</u>	90,133,531		45,153,792	135,287,323
Other receivables	# 11 11 11 11 11 1 <del>-</del> 2	25,007,381		- 1	25,007,381
Structured VULs	21 JULY 18 11	Mari da	133,867,755		133,867,755
Investment in UITFs	11,149,570,784	Milulius (1) -	2,724,373,164	- L	13,873,943,948
	P34,106,244,953	<b>P</b> 2,494,702,481	<b>₽</b> 4,820,416,040	₱222,970,452	<b>₽</b> 41,644,333,926

	2	2022	
	Peso Investment Funds	Dollar Investment Funds	4
	Other financial	Other financial	
	liabilities	liabilities	Total
Financial liabilities at amortized cost			
Accounts payable	<b>P</b> 90,008,174	₱2,350,314	<b>P</b> 92,358,488
Accrued expenses and other liabilities*	75,147,670	4,784,062	79,931,732
	₱165,155,844	₽7,134,376	₱172,290,220

<sup>\*</sup>Excluding taxes payable amounting Php 5,886,731



### NOTES TO COMBINED FINANCIAL STATEMENTS

2021

			2021		
	Peso Investm	ent Funds	Dollar Investm	ent Funds	
	Fair Value through profit or loss	Loans and receivables	Fair Value through profit or loss	Loans and receivables	Total
Financial assets at FVTPL				and the second second	
Traditional VULs:					
Cash and cash equivalents	₽–	₱639,353,460	₽–	₱229,929,725	<del>P</del> 869,283,185
Equity securities—quoted	22,487,066,910			- 1	22,487,066,910
Debt securities with fixed rates –					
quoted	4,256,870,392	_	2,297,208,314		6,554,078,706
Subscription receivable	lander &	164,323,460		1,223,847	165,547,307
Investment income receivable	, ',	29,696,206	- 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1	42,673,603	72,369,809
Other receivables	_	15,569,650	er er tra i i i i i i i i i i i i i i i i i i i	- 1	15,569,650
Structured VULs			248,875,120	- To 1 1 7 - 1	248,875,120
Investment in UITF	7,450,366,989	-	2,051,280,161		9,501,647,150
	₱34,194,304,291	₱848,942,776	₱4,597,363,595	₱273,827,175	₱39,914,437,837

		2021	
	Peso Investment Funds	Dollar Investment Funds	
	Other financial	Other financial	
	liabilities	liabilities	Total
Financial liabilities at amortized cost			
Accounts payable	₱33,537,134	<b>₽</b> 17,971	₱33,555,105
Accrued expenses and other liabilities*	50,466,083	4,624,112	55,090,195
	₽84,003,217	₽4,642,083	₱88,645,300

<sup>\*</sup>Excluding taxes payable amounting Php 4,120,222



### NOTES TO COMBINED FINANCIAL STATEMENTS

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

		202	22	
	Level 1	Level 2	Level 3	Total
Equity securities Debt securities:	P20,546,115,036	P-	P-	P20,546,115,036
Traditional VULs: Local currer Foreign curre	632,921,625 1,962,175,121	1,777,637,508		2,410,559,133 1,962,175,121
Structured VULs:	1,902,173,121			1,302,173,121
Foreign curre Investment in UITF:	Linky Marie		133,867,755	133,867,755
Local currency		11,149,570,784		11,149,570,784
Foreign curre	1 L L L =	2,724,373,164		2,724,373,164
	₱23,141,211,782	₱15,651,581,456	₱133,867,755	P38,926,660,993

		202	21	
	Level 1	Level 2	Level 3	Total
Equity securit Debt securit Traditional VUI	₱22,487,066,910	₽−	₽−	₱22,487,066,910
Local currency Foreign curre	1,303,585,645 2,297,208,314	2,953,284,747 -	-	4,256,870,392 2,297,208,314
Structured VU Local currer				255-14-1 -
Foreign curre Investment in U:	<u>-</u>		248,875,120	248,875,120
Local currer		7,450,366,989	-	7,450,366,989
Foreigleurrend	- ₱26,087,860,869	2,051,280,161 ₱12,454,931,897	- ₱248,875,120	2,051,280,161 \$\rightarrow\$38,791,667,886



#### NOTES TO COMBINED FINANCIAL STATEMENTS

For all other financial assets and liabilities, the carrying values approximate their respective fair values due to their short-term nature. They include receivables, cash and cash equivalents, accounts payable and accrued and other liabilities.

The fair values of debt securities under Traditional VULs classified under Level 1 and 2 categories are based on quoted market prices. The fair values of investments in UITFs, classified as debt instruments, under Level 2 category is based on the Net Asset Value Per Unit (NAVPU) of the underlying UITFs.

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

	2022	2021
Peso		
Balances at beginning of year	₽	₱ 455,041,000
Maturities	Y = 17' 7' ' ' ' - '	(460,355,897)
Fair value gain		5,314,897
Balances at end of year		
USD		
Balances at beginning of year	248,875,121	707,525,980
Maturities		(380,142,499)
Fair value loss	(138,216,646)	(117,570,141)
Foreign exchange adjustments	23,209,280	39,061,781
Balances at end of year	133,867,755	248,875,121
Total Level 3 financial assets	₱133,867,755	₱248,875,121



#### NOTES TO COMBINED FINANCIAL STATEMENTS

There were no transfers within different levels of the fair value hierarchy in 2022 and 2021.

The structured notes can be decomposed into bond components and option components. Fair values of structured notes have been computed by counterparties using present value calculations and option pricing models as applicable. Management performs independent testing to validate the reasonableness of counterparty values. Inputs used for the sensitivity analysis include credit default swap (CDS) of the ROP, USD interest rate swap rates (IRS) (for the USD denominated issuances), and USD/PHP cross currency swap rates (for the PHP-denominated issuances).

The sensitivity analysis of the fair 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:

Sensitivity of the fair value measurement to changes in observable inputs follows:

	Significant observable input other than quoted prices within Level 1	Range of input	Sensitivity of the input to fair value
2022	ROP CDS Level (7 years)	97 basis points	A 50 basis points increase (decrease) in CDS would result in the decrease and increase in fair value of the note by \$\mathbb{P}267,792\$ and \$\mathbb{P}269,580\$, respectively.
	USD IRS (7 years)	388 basis points	A 50 basis points increase (decrease) in CDS would result in the decrease and increase in fair value of the note by \$\mathbb{P}267,792\$ and 269,580, respectively.
2021	ROP CDS level (7yrs-8yrs)	56 basis points	- basis points increase or decrease in ROP CDS would result in the decrease and increase in market value of the note by ₱1,138,771 and ₱1,151,130, respectively.
	USD IRS (7yrs-8yrs)	143 basis points	- basis points increase or decrease in ROP CDS would result in the decrease and increase in market value of the note by P1,138,771 and P1,151,130, respectively.





#### NOTES TO COMBINED FINANCIAL STATEMENTS

Sensitivity of the fair value measurement to changes in unobservable follows:

	Significant unobservable input	Range of input	Sensitivity of the input to fair value
2022	Bank CDS Level (7-10 years)	63-71 basis points	A 50 basis points increase (decrease) in CDS would result in the decrease and increase in fair value of the note by P267,792 and P269,580, respectively.
2021	ROP CDS level (38 years)	44 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 P1,138,771 and P1,151,130, respectively.

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

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



#### NOTES TO COMBINED FINANCIAL STATEMENTS

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

#### Risk measurement and reporting system

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

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

#### Credit risk

Credit risk is the risk that the Separate Funds will incur a loss because its counterparties failed to discharge their contractual obligations. The Separate Funds are exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honor its contractual obligations. These credit exposures exist within debt instruments, receivables, and cash and cash equivalents with a

maximum credit exposure equal to their respective carrying amounts.

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

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

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

As of December 31, 2022 and 2021, all of the Separate Funds' debt securities fall under investment grade category.

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

#### Financial assets subject to PFRS 9's impairment requirements

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

The Separate Funds have adopted general approach on its cash and cash equivalents. The Separate Funds are deposited with the Fund Administrator which is part of an international banking group rated as



#### NOTES TO COMBINED FINANCIAL STATEMENTS

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

_		20	22				2	021		
					Peso	Peso				Dollar
					Fixed	Money			Select	Fixed
	Peso Fixed			Dollar Fixed	Income	Market	Equity	Growth	Equities	Income
Credit Rating_	Income Fund	<b>Equity Fund</b>	Growth Fund	Income Fund	Fund	Fund	Fund	Fund	Fund 2	Fund
PRSAaa	13%	-	-	2%	15%	-	_	_	-	2%
BBB-/Baa2	_	_	_	-	-	_	-	-		
BBB/Baa2	87%	100%	100%	98%	85%	100%	100%	100%	100%	98%
Unrated	_	-	_	_			_	_		
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

#### Excessive risk concentration

Concentration of risk indicates the relative sensitivity of the Separate Funds' performance to developments affecting a particular industry or geographical location. Concentration of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region. or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realize liquid assets. Concentration of foreign exchange risk may arise if the Separate Funds have a significant net open position in a single foreign currency. or aggregate net open positions in several currencies that tend to move together. In order to avoid excessive concentrations of risk, the Separate Funds' policies and procedures include specific guidelines to focus on maintaining a diversified portfolio.

investment grade by the global external rating agency. Accordingly, placements in the Fund Administrator are considered to be low credit risk investments. In addition, cash in bank is on demand while cash equivalents have terms of three months or less. As of December 31, 2022 and 2021, the Company determined that the impact of 12-month ECL ("Stage 1") is not material.

The Separate Funds have adopted the simplified approach on its trade receivables. Items have been grouped by their nature into the following categories: accrued income and amounts due from brokers.

Any loss allowance is therefore based on lifetime ECLs. As of December 31, 2022 and 2021, all of the Separate Funds' receivables are neither past due nor impaired. All receivables are collectible in a very short period. Accordingly, the ECL is determined to be negligible.

#### Financial assets not subject to PFRS 9's impairment requirements

The Separate Funds are exposed to credit risk on debt instruments. This class of financial assets is not subject to PFRS 9's impairment requirements as they are measured at FVTPL. The carrying value of these assets represents the Separate Funds' maximum exposure to credit risk as of the respective reporting dates (see Notes 4 and 6). Investment in debt securities at FVTPL totaled Php 4,506,602,009 and Php 6,802,953,826 as of December 31, 2022 and 2021, respectively.

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

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



#### 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 FVTPL debt securities portfolio by industrial distribution as percentage of total FVTPL debt securities as of December 31:

	2022	2021
Government	90%	90%
Financial institutions	5%	6%
Property	2%	2%
Food, Beverage & Tobacco	1%	1%
Services	1%	1%
Electricity, energy, power, and water	1%	_
Total	100%	100%

#### **Equity price risk**

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

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

The Separate Funds are exposed to equity price risk because of equity investments held under Equity Fund, Growth Fund, Select Equities Fund, Select Equities Fund 2, Own the New Economy Fund, Recovery Equity Fund and Peso Global Multi-Asset Income-Paying Fund which are classified in the statements of financial position as financial assets at

#### NOTES TO COMBINED FINANCIAL STATEMENTS

FVTPL. The maximum exposure to equity price risk is equal to the carrying amount of the investment in securities. Investment in equity securities totaled Php 34,420,058,984 and Php 31,988,714,060 as of December 31, 2022 and 2021, respectively.

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

2022			2021	
	Effect on			Effect on
Change in Quoted N	et Asset Value	Change in Quoted	N	let Asset Value
Prices of Investments	Attributable to	Prices of Investments		Attributable to
Carried at Fair Value	Unitholders	Carried at Fair Value		Unitholders
Increase by 5%	₱915,236,142	Increase by 5%		P938,095,742
Decrease by 5%	(915,236,142)	Decrease by 5%		(938,095,742)

#### Risk concentrations of the maximum exposure to equity price risk

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

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

	2022	2021
Banks/Financial	47%	39%
Holding Firms	16%	18%
Property	12%	13%
Foodbeverage, and tobacco	8%	10%
Retail	6%	7%
Electricity, energy, power, and water	4%	4%
Construction, Infrastructure	1%	3%
Telecommunications	2%	3%
Transportation Services	2%	2%
Information and Technology	1%	1%
Mining	1%	-
Total	100%	100%



#### NOTES TO COMBINED FINANCIAL STATEMENTS

#### Liquidity risk

Liquidity or funding risk is the risk that the Separate Funds will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values, or counterparty failing on repayment of a contractual obligation or inability to generate cash inflows as anticipated.

The Separate Funds manage liquidity through a group liquidity risk policy which determines what constitutes liquidity risk for the Separate Funds, specify minimum proportion of funds to meet emergency calls, set up of contingency funding plans, specify the sources of funding and the events that would trigger the plan, and determine concentration of funding sources, report of liquidity risk exposures, and breaches to the monitoring authority. The Separate Funds invest primarily in marketable securities and other financial instruments which, under normal market conditions, are readily fixed rate to cash. It is the Separate Funds' policy that the investment manager monitors the Separate Funds' liquidity position on a daily basis.

As of December 31, 2022 and 2021, the Separate Funds' other financial liabilities excluding taxes payable amounting to Php 172,290,220 and Php 88,645,300 respectively, have maturities of less than one year. The Separate Funds have cash and cash equivalents amounting to Php 2,533,769,892 and Php 869,283,185 as of December 31, 2022 and 2021, respectively, which are due on demand that can be used to settle financial liabilities.

#### Market risk

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

#### Fair value interest rate risk

Fair value interest rate risk arises from the possibility that changes in interest rates will affect the fair values of investment in debt securities under FVTPL. The exposure of the Separate Funds to market risk for changes in interest rates is related primarily to investments under the Peso Fixed Income Fund and Dollar Fixed Income Fund with fixed interest rates are classified in the statements of financial position as financial assets at FVTPL. The carrying amount of the investment in debt securities amounted to Php 4,506,602,009 and Php 6,802,953,826 as of December 31, 2022 and 2021, respectively, and represents the maximum exposure to fair value interest rate risk.

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

	2022		2021
	Effect on		Effect on
	Net Asset Value		Net Asset Value
Change in Market	Attributable to	Change in Market	Attributable to
Rate of Interest	Unitholders	Rate of Interest	Unitholders
25 basis points rise	( <b>P</b> 45,638,765)	25 basis points rise	(P55,707,890)
25 basis points fall	46,610,640	25 basis points fall	57,049,809



#### NOTES TO COMBINED FINANCIAL STATEMENTS

#### Foreign currency risk

The Separate Funds are not subject to foreign currency risk. The Peso Investment Funds do not hold assets and liabilities denominated in USD or other third currencies. Meanwhile, the functional currency of Dollar Investment Funds is USD and the impact of foreign exchange rate fluctuations is limited to the revaluation of the dollar-denominated monetary assets and liabilities to the financial statements presentation currency, the Philippine Peso. These foreign exchange differences are recognized as "Cumulative Translation Adjustment" under the "Net Assets Attributable to Unitholders" account.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on cumulative translation adjustment:

2022			2021		
	Effect on		Effect on		
Change in Peso-	<b>Cumulative Translation</b>	Change in Peso-	Cumulative Translation		
Foreign Exchange Rate	Adjustment	Foreign Exchange Rate	Adjustment		
Peso depreciation		Peso depreciation			
of 2.40%	₽89,173,270	of 0.61%	<b>₽</b> 28,908,736		
Peso appreciation		Peso appreciation			
of 2.40%	(89,173,270)	of 0.61%	(28,908,736)		





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