

Peso Bond Fund

An investment fund option for variable life insurance products of **The Manufacturers Life Insurance Co., (Phils), Inc.**

Investment Objective

The Fund seeks to achieve a stable and long-term growth by investing in government securities and/or high quality corporate debt securities and/or pooled fund/s that invest in these securities and other liquid fixed income instruments.

Fund Information

Inception Date April 2004	Fund Size PHP 683.55 million	Fund Currency Philippine peso	Dealing/Valuation Daily
Price (NAV/unit) PHP 2.803	Management Fee 1.50% per annum	Bloomberg Ticker MPPHBNB	

Performance Return (December 31, 2022)

Peso Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	0.79%	-3.88%	-3.88%	-1.44%	8.35%	180.30%
Annualized	n.a.	n.a.	-3.88%	-0.48%	1.62%	5.65%

Past performance is not an indication of future results. Information about the portfolio's holdings, asset allocation, or country diversification is historical and is not an indication of future portfolio composition, which will vary.

Monthly Net Asset Value per Unit

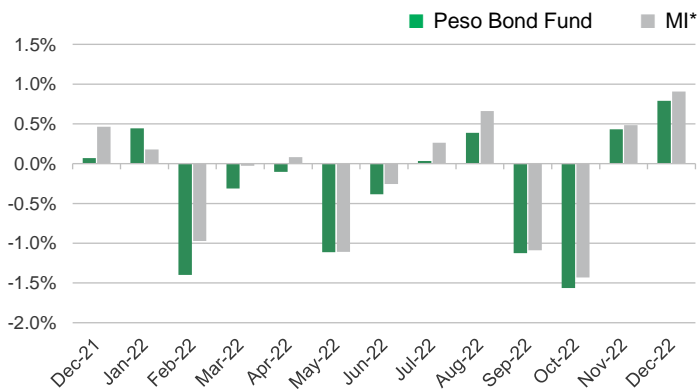


Top Five Holdings

Bond Pool	Percentage	Short-Term Bond Pool	Percentage
FXTN 03/04/27	14.74%	Manulife Stable Income Fund Class I	35.75%
FXTN 08/12/25	13.27%	FXTN 08/12/25	7.93%
FXTN 04/08/26	7.47%	FXTN 03/09/24	7.67%
FXTN 09/09/25	7.37%	FXTN 03/12/24	3.99%
FXTN 02/14/26	6.14%	FXTN 09/09/25	3.63%

Notes:
FXTN - Fixed Treasury Notes or Peso-denominated debts of the Philippine Government
RTB - Retail Treasury Bonds of the Philippine Government

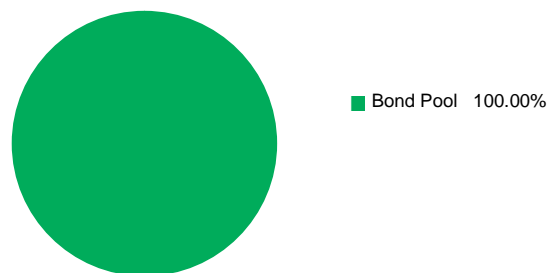
Monthly Performance



*Market Indicator = 10.0% Markit Iboxx ALBI Philippines Liquid + 90.0% Markit Iboxx ALBI Philippines 1-5

Portfolio Breakdown

Asset Allocation (at Market Value)



As per the fund's Investment Policy Statement, initial subscriptions are invested in fixed 90% Bond Pool and 10% Short-Term Bond Pool. The investments of these pools consist of the following:

- Peso Bond Pool: Peso-denominated bonds of the Republic of the Philippines and term deposits.
- Short Term Bond Pool: Peso-denominated bonds of the Republic of the Philippines with a term of up to three years and term deposits.

Peso Bond Fund

Market Review

2022 continued to be a very challenging for the local fixed income market as inflation averaged 5.8% for the year. In the fourth quarter, inflation hovered around 8%, breaching the recent high of 6.9% in 2018. Both the Russia-Ukraine war and zero-COVID policy in China brought about significant broad based supply shock implications, leading to a massive increase in food and commodity prices. Crude oil prices surged above US\$100/barrel around mid-year, before moderating to around US\$80/barrel towards the yearend. These supply shocks, exacerbated by a weak currency, translated to second-round effects, including wage and transport fare hikes, which further fanned domestic inflation.

The short-end of the yield curve bore the brunt of the sell-off as initial hesitation from both the Federal Reserve (Fed) and the Bangko Sentral ng Pilipinas (BSP) to tighten monetary policy necessitated more aggressive rate hikes during the year. The Fed and the BSP raised policy rates by 425bps and 350bps, respectively, during the year. Two Retail Treasury Bond (RTB) issuance amounting to almost PhP900bio also flooded the market with massive additional supply, which proved to be difficult to digest given the weak market sentiment.

Outlook

We expect economic growth to remain robust. The government estimates 2023 economic growth to fall within the range of 6-7%. Barring an escalation in the Russia-Ukraine war, we expect inflation to start moderating in the second quarter. While it may be too early to conclude that domestic inflation has peaked, the BSP's latest statement that it is nearing the end of its tightening cycle is reasonable as it takes a while for the economy to fully respond to monetary policy actions.

Furthermore, emerging recession risks in the U.S. urged the market to pare back Fed rate hike expectations. With the BSP closely following the Fed's actions, this also translates to smaller hikes from the BSP. As more attention shift to U.S. recession risks, the resulting decline in U.S. interest rates may also encourage foreign flows to domestic assets as investors search for yield.

Against this backdrop, we expect the macroeconomic environment to be more supportive for the local bond market than last year. Nevertheless, we will continue to monitor negative effects from supply and inflation risks.

The investment fund option for The Manufacturers Life Insurance Company's variable life insurance product is managed by Manulife Investment Management and Trust Corporation.

The Fund mentioned in this document is specific to variable life insurance contracts and is not considered a mutual fund. Yields depend on interest and foreign exchange rate levels, both of which may fluctuate. Other factors that affect yield include changes in the credit standing of the issuers and changes in the value of the stocks and dividends received. Further, investments of the Fund may provide that their values be determined based on prices or yields of other securities, instruments or foreign currencies, and such provisions may result in negative fluctuations in the value of these investments and, in turn, the Fund's yields. Thus, the performance of the separate account(s) is not guaranteed and the value of the policy could be less than the capital invested. THE VARIABLE LIFE POLICYHOLDER SHALL BEAR ALL INVESTMENT RISKS. Past performance of the Fund is not necessarily indicative of future performance. Yields are not guaranteed.

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