

# 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

|                                      |  |   |                                   |
|--------------------------------------|--|---|-----------------------------------|
| <b>Inception Date</b><br>April 2004  | <b>Fund Size</b><br>PHP 623.61 million   | <b>Fund Currency</b><br>Philippine peso | <b>Dealing/Valuation</b><br>Daily |
| <b>Price (NAV/unit)</b><br>PHP 3.167 | <b>Management Fee</b><br>1.50% per annum | <b>Bloomberg Ticker</b><br>MPPHBND      |                                   |

## Performance Return (December 31, 2025)

| Peso Bond Fund<br>(net of management fee) | 1 Month | YTD   | 1 Year | 3 Years | 5 Years | Since Inception |
|---|---------|-------|--------|---------|---------|-----------------|
| Absolute                                  | -0.31%  | 4.14% | 4.14%  | 12.99%  | 5.64%   | 216.70%         |
| Annualized                                | n.a.    | n.a.  | 4.14%  | 4.15%   | 1.10%   | 5.44%           |

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

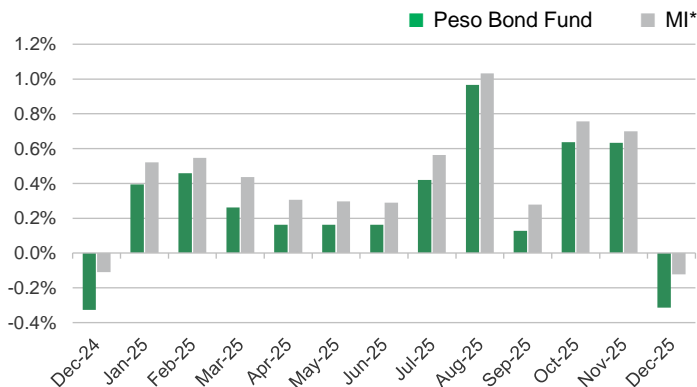


## Top Five Holdings

| Bond Pool                            | Percentage | Short-Term Bond Pool                | Percentage |
|--------------------------------------|------------|-------------------------------------|------------|
| FXTN 04/28/35                        | 6.24%      | Manulife Stable Income Fund Class I | 43.94%     |
| FXTN 07/19/31                        | 6.24%      | Manulife Money Market Fund Class I  | 8.76%      |
| Manulife Income Builder Fund Class I | 6.23%      | RTB 08/20/30                        | 6.72%      |
| FXTN 09/15/32                        | 5.76%      | FXTN 03/04/27                       | 6.56%      |
| RTB 08/20/30                         | 5.23%      | FXTN 04/22/28                       | 5.73%      |

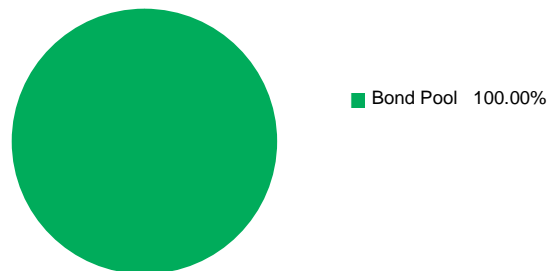
Notes:  
FXTN - Fixed Treasury Notes or Peso-denominated debts of the Philippine Government  
RTB - Retail Treasury Bonds of the Philippine Government

## Monthly Performance



## 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

The Philippine bond market in 2025 was characterized by a persistent steepening of the yield curve, driven by a combination of benign inflation, dovish monetary policy from the Bangko Sentral ng Pilipinas (BSP), and ongoing global trade and geopolitical uncertainties. Throughout the year, front-end yields declined, while longer-term yields were more volatile and often rose, reflecting investor cautiousness amid external risks.

In the first half of the year, the yield curve gradually bull steepened as the market anticipated further BSP policy rate cuts amid declining inflation. Preference was seen on the short end to the belly of the curve. Market participants remained defensive on longer-term securities, as developments to US trade policies and geopolitical tensions unfolded. Meanwhile, inflationary pressure in the US and geopolitical uncertainties in the Middle East caused the Federal Reserve to hold off on cutting interest rates in the first half of the year.

Philippine inflation further declined in the second half, leading to an average of 1.7% for the FY2025. The second half of 2025 also saw continued rate cuts from the BSP totaling five 25-basis point reductions for the year. This brought the policy rate down to 4.5% by their final meeting in December, where they expressed that the easing cycle may be nearing its end. The yield curve remained steep as market players still preferred the front end. The Bureau of Treasury's 5-Year Retail Treasury Bond issuance in August led to some reprieve to the rally but eventually provided the liquidity that market required.

Towards the end of the year, growth concerns loomed for the Philippines on the back of the government spending investigations, the typhoon season, and higher U.S. tariffs. This led to further declines in the front end of the curve while keeping longer tenor yields elevated. External risks such as global growth concerns, trade policy developments, and ongoing geopolitical tensions remained a persistent backdrop for the bond markets. Despite generally stable Philippine fundamentals, these factors contributed to a pronounced steepening of the yield curve throughout the year.

## Outlook

Though the BSP has indicated it may be nearing the end of its rate cutting cycle, we remain constructive on the bond market. A less accommodative monetary policy stance is inherently disinflationary, which supports our positive view. With this shift, 2026 inflation could come in lower than previously anticipated (BSP forecast: 3.2%). Further, with the government downgrading its GDP forecast to 5-6% from 6-7%, the local yield curve may still have room to decline and could potentially flatten.

Given this outlook, we maintain our overweight duration position relative to the benchmark and continue to focus on the belly of the curve.

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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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