

Peso Bond Fund

An investment fund option for **Affluence**, **Affluence Gold** and **Affluence Builder** 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 805.90 million	Fund Currency Philippine peso	Dealing/Valuation Daily
Price (NAV/unit) PHP 2.726	Management Fee 1.50% per annum	Bloomberg Ticker MPPHBND	

Performance Return (June 30, 2019)

Peso Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	2.29%	9.08%	6.69%	-1.55%	5.66%	172.60%
Annualized	n.a.	n.a.	6.69%	-0.52%	1.11%	6.80%

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

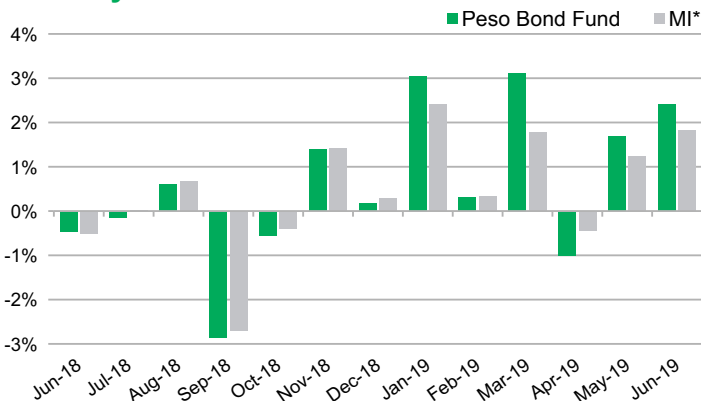


Top Five Holdings

Bond Pool		Short-Term Bond Pool	
FXTN 03/12/24	17.4%	Manulife Stable Income Fund Class I	33.3%
RTB 12/04/22	14.1%	RTB 06/13/21	16.0%
FXTN 01/10/29	7.0%	FXTN 01/26/22	12.7%
FXTN 08/20/20	6.1%	FXTN 01/19/22	12.0%
RTB 06/13/21	5.8%	FXTN 03/20/21	10.1%

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

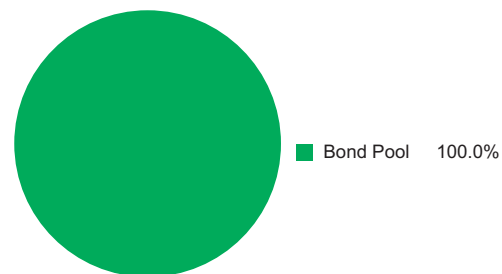
Monthly Performance



*Market Indicator = 90% Markit iBoxx ALBI Philippines Liquid Index + 10% Markit iBoxx ALBI Philippines 1-3 Index

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:

- 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.

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Market Review

The bond market started strong in June in spite of the unexpected uptick in the inflation figure for May. The market brushed aside the higher inflation print as it was perceived to be a one-off uptick. Yields fell as much as 40-50bps for the month, with 10-year yield testing the 5% level for the first time in over a year.

Yields were quite volatile with a short-lived sell-off after the Bureau of Treasury (BTr) accepted higher-than-expected bid yields at the 20-year auction and unexpectedly maintained the size of its bi-monthly FXTN auctions at PhP20 billion in its borrowing schedule for 3Q. The market was expecting a reduction in government borrowing due to the delay in the implementation of this year's government budget. However, the reduction in monthly auction size was made only on Treasury bills. Nevertheless, the month ended with bond yields near lows as the market continues to expect a dovish BSP stance and as the previously-announced 50bps reduction in the Reserve Requirement Ratio (RRR) released fresh liquidity into the market at the end of the month. The BSP kept policy rate steady at 4.5% in its June 20 meeting and revised inflation forecast for 2019 from 2.9% to 2.7% and for 2020 from 3.1% to 3%.

Outlook

Looking ahead, we continue to be optimistic in the bond market as we expect inflation to trend lower, with base effects likely keeping inflation at sub-3% levels in the coming months. Latest inflation print for June was at 2.7%, substantially lower than May's 3.2% figure. Market sentiment will also benefit from the truce reached during the recent G20 meeting between the US and China, easing trade war concerns in the short-term. However, we are mindful of the large decline in yields year to date and remain opportunistic when entering the market.

The investment fund option for The Manufacturers Life Insurance Company's variable life insurance product is managed by Manulife Asset 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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