

Peso Secure 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 2009	Fund Size PHP 5.43 billion	Fund Currency Philippine peso	Dealing/Valuation Daily
Price (NAV/unit) PHP 1.724	Management Fee 1.75% per annum	Bloomberg Ticker MPPHSEC	

Performance Return (December 31, 2023)

Peso Secure Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	0.76%	4.87%	4.87%	-2.49%	16.41%	72.23%
Annualized	n.a.	n.a.	4.87%	-0.84%	3.09%	3.76%

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

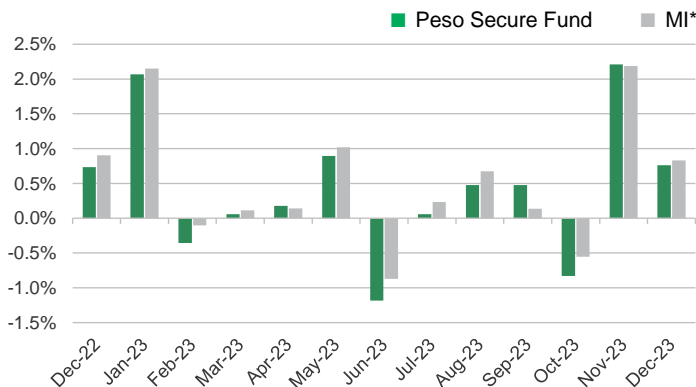


Top Five Holdings

Bond Pool		Short-Term Bond Pool	
FXTN 03/04/27	13.55%	Manulife Stable Income	
FXTN 08/12/25	9.68%	Fund Class I	39.00%
FXTN 08/22/28	6.34%	Manulife Money Market	
FXTN 09/09/25	5.99%	Fund Class I	15.31%
FXTN 04/08/26	5.86%	FXTN 02/14/26	9.36%
		FXTN 04/08/26	8.81%
		FXTN 09/09/25	8.49%

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

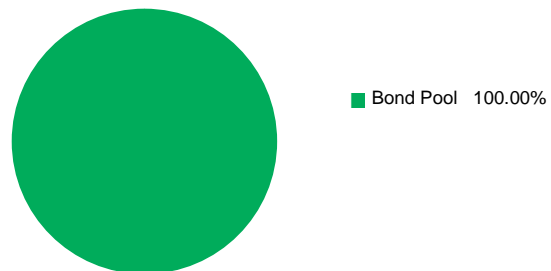
Monthly Performance



*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 Secure Fund

Market Review

The Bangko Sentral ng Pilipinas (BSP) underwent leadership change with Eli Remolona succeeding Felipe Medalla as BSP Governor. As the new BSP Head, Remolona has maintained a hawkish tone even during periods when inflation eased and growth slowed, citing upside risks to inflation extending into this year and inflation-targeting as the priority of BSP. Even with a disappointing 2Q growth of 4.3%, the BSP indicated its willingness to tolerate slower growth to tame inflation despite inflation being driven by supply shocks.

It has been a volatile year for the bond market as sudden shifts in inflation and monetary policy expectations triggered a couple of wild swings in yields. Following a strong start in January, with yields falling by 50-100bps, the market gave back some gains in February as domestic inflation proved to be stickier than expected. This led the BSP to drastically increase its inflation forecast and raise policy rate by a total of 75bps in the first quarter.

After staying light in the past few years, investors have been looking forward to an upbeat bond market environment and an end to central banks' monetary policy tightening. Over-enthusiasm among investors fueled another rally in May, with local yields dipping below 6% even while inflation rate remained above 6%. Weak sentiment in U.S. Treasuries eventually spilled over to local markets as stronger-than-expected activity and jobs data in the U.S. pushed 10-year yields to 5% in October. The painful sell-off that followed erased almost all gains in the local bond market since start of the year and drove yields back to 7%. Furthermore, the reacceleration of local inflation in the third quarter prompted the BSP to deliver a 25bps off-cycle rate, bringing policy rate to 6.5% and the total cumulative hikes from this tightening cycle to 450bps.

October's easing inflation was a welcome surprise after consecutive monthly increases in inflation in the third quarter. This provided a much-needed relief rally for the local bond market in the last two months of the year. While full-year inflation at 6% is still much higher than the BSP' target range, the easing inflation in the fourth quarter cemented views that the BSP is finally done with monetary policy tightening.

Outlook

From tightening, the market has now shifted its focus on the timing of monetary easing, with as much as 75bps rate cuts being priced in for the U.S. Federal Reserve. Should local inflation continue to moderate, Fed rate cuts would likely prompt the BSP to follow suit to maintain a healthy interest rate differential between the U.S. and the Philippines. Nevertheless, the BSP continues to be somewhat hawkish, with the BSP Governor reiterating that monetary policy will continue to be tight on the back of upside risks to inflation. In fact, the BSP continues to expect inflation this year to average above its target range of 2-4%. In terms of growth, the government has a growth target of 6.5-7.5% this year.

Looking ahead, while we continue to have a positive outlook on government bonds for 2024, we can expect bouts of volatility to continue until we see a sustained decline in inflation.

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

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