

# Peso Secure Fund

An investment fund option for **Affluence Max, Affluence Max Gold, Affluence Builder Series, Horizons** and **FlexiSure** 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> April 2009	<b>Fund Size</b> PHP 5.05 billion	<b>Fund Currency</b> Philippine peso	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> PHP 1.768	<b>Management Fee</b> 1.75% per annum	<b>Bloomberg Ticker</b> MPPHSEC	

## Performance Return (December 31, 2020)

Peso Secure Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	0.45%	5.18%	5.18%	15.03%	14.81%	76.62%
Annualized	n.a.	n.a.	5.18%	4.78%	2.80%	4.98%

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

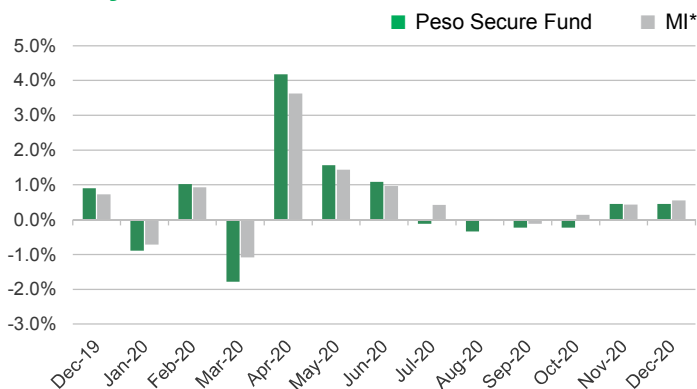


## Top Five Holdings

Bond Pool		Short-Term Bond Pool	
FXTN 08/12/25	17.53%	Manulife Stable Income	
FXTN 02/11/23	10.56%	Fund Class I	37.85%
FXTN 03/12/24	9.68%	FXTN 02/11/23	13.10%
FXTN 09/09/25	8.80%	RTB 12/04/22	11.84%
RTB 12/04/22	7.08%	FXTN 04/21/23	7.63%
		FXTN 08/15/23	6.04%

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

Last year has been a very difficult year marred with unfortunate events such as the COVID pandemic, Taal eruption and typhoons, bucking our over 20-year trend of positive GDP growth. In fact, with the government's projected full-year contraction of 8.5-9.5%, 2020 could have exhibited the worst economic contraction in Philippine history.

With the hope of softening the economic collapse brought about by the COVID pandemic and the associated lockdowns imposed by the government, the Bangko Sentral ng Pilipinas (BSP) became one of the more aggressive central banks in the region as it tried to make up for the lack of fiscal actions by the government. After cutting policy rate in three consecutive months from February to April as the pandemic deepened, it surprised the market with a 50bps rate cut on June 25 and another 25bps rate cut on November 19, bringing full-year 2020 rate cuts to 200bps. Furthermore, as part of its unprecedented measures, the BSP has been purchasing bonds from banks in the secondary market since March and entered into six-month repurchase agreement with the government. As a result, the local bond market rallied with yields falling by 150 to 200bps for short to intermediate tenors, and by around 100bps for long-dated securities. The BSP also reduced the Reserve Requirement Ratio (RRR) by 200bps and allowed banks to use loans to comply with reserve requirements. However, despite the massive monetary stimulus by the BSP, it seems like the transmission mechanism to the broader economy remains impaired with loan growth sliding to multi-year lows.

## Outlook

General risk aversion and fears of ballooning government debt weakened demand on long-dated government securities. As a result, the government refrained from issuing securities longer than five years for most part of last year. We also observed irregularities in the yield curve with the five-year and >15-year tenors offering relatively large yield premiums compared to historical levels. As the economy shows more signs of recovery in 2021, we expect risk appetite to improve and the yield curve to normalize. While easy monetary policy, large government borrowing needs and a possible reflationary pressure may keep the yield curve steep, we expect to see more investor participation on longer tenors for yield pick-up.

While we believe above 6% GDP growth to be feasible in 2021, partly due to base effects, downside risks remain, and we will unlikely be able to claw back in 2021 the output and employment lost to the pandemic. The gradual economic recovery will continue to urge the BSP to have a dovish inclination in monetary policy, especially as inflation is expected to remain benign and well within the BSP's target range of 2%-4%. We see a possibility for the BSP to cut policy rate and RRR in the first quarter should economic prints disappoint. Against this backdrop, we expect the macroeconomic environment to remain supportive of the local bond market. Any further decline in bond yields, however, will likely be muted compared to those experienced in the past two years. We will watch closely the Bureau of Treasury's issuance pattern as we continue to see bond supply risk as the dominant risk in the local bond market.

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

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