

# Peso Target Income Fund

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

## Investment Objective

The Fund aims to provide periodic payouts of up to 3% per annum\* while providing the potential for capital appreciation and limiting the risk of capital erosion by investing in a diversified portfolio of fixed income and equity investments based on an active asset allocation strategy.

## Fund Information

<b>Inception Date</b> April 2014	<b>Fund Size</b> PHP 180.84 million	<b>Fund Currency</b> Philippine peso	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> PHP 0.841	<b>Management Fee</b> 2.00% per annum (of which 0.20% will go to the Investment advisor, Manulife Investment Management (HK) Limited.)	<b>Bloomberg Ticker</b> MPPHINC	

\* The 3% per annum payout rate is not guaranteed.

## Performance Return (August 31, 2021)

Peso Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	3.07%	-1.83%	4.16%	4.22%	-1.69%	4.82%
Annualized	n.a.	n.a.	4.16%	1.39%	-0.34%	0.64%

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

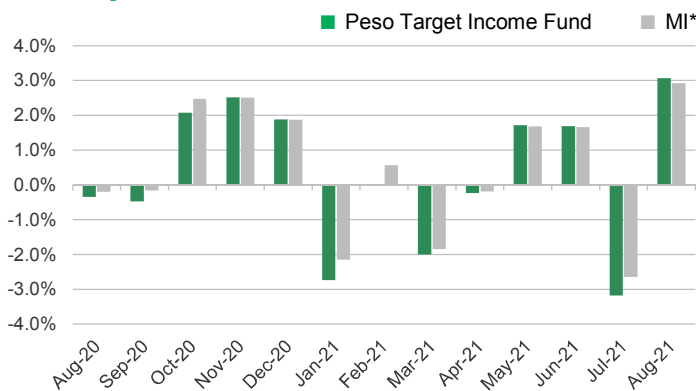


## Top Five Holdings

Bond Pool		Short-Term Bond Pool	
FXTN 08/12/25	13.73%	Manulife Stable Income Fund Class I	36.22%
FXTN 03/09/24	10.96%	FXTN 03/09/24	10.19%
FXTN 02/11/23	8.37%	FXTN 08/15/23	5.41%
FXTN 09/09/25	7.95%	FXTN 02/11/23	5.36%
FXTN 03/12/24	6.19%	RTB 12/04/22	5.21%
Equity Pool			
SM INVESTMENTS CORPORATION			13.68%
Manulife Equity Wealth Fund Class I			10.20%
SM PRIME HOLDINGS INC			9.02%
AYALA LAND INC			8.72%
AYALA CORPORATION			8.38%

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

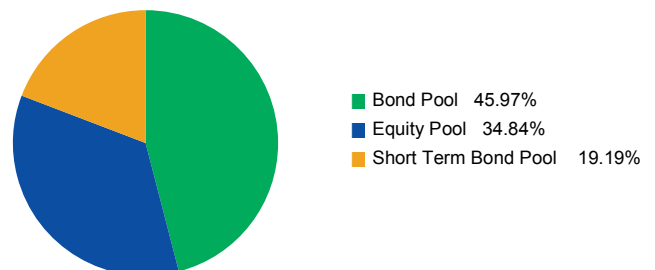
## Monthly Performance



\*Market Indicator = 30.0% PSEI + 4.9% Markit Iboxx ALBI Philippines Liquid + 44.3% Markit Iboxx ALBI Philippines 1-5 + 20.8% Markit Iboxx ALBI Philippines 1-3

## Portfolio Breakdown

### Asset Allocation (at Market Value)



As per the fund's Investment Policy Statement, initial subscriptions are invested in fixed 49.2% Bond Pool, 20.8% Short-Term Bond Pool and 30% Equity Pool. The investments of these pools consist of:

- 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.
- Equity Pool: Various stocks listed on the PSE and term deposits

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## Market Review

The PSEi ended August at 6,588.44, up 9.3% as the market staged a recovery offsetting prior month's 9.2% decline. Contributing to the market's swift recovery for the month was the move by the government to lower NCR's quarantine restrictions from ECQ to MECQ since the arrival of the Delta variant in August. Note that dining inside restaurants, personal care services and religious activities are still not allowed under MECQ and a strict curfew remains in place. The expectation is that the government will only revert to granular restrictions to limit the negative impact of the pandemic to economic activity moving forward.

The Philippine Stock Exchange announced changes to the composition of the PSE Index, effectively adding AC Energy and Converge ICT Solutions replacing DMCI Holdings and Emperador. The PSE relaxed the required listing rule for inclusion to the PSEi to 6-months (from listing) from 12-months previously which resulted in CNVRG being added to the index. Both AC Energy and Converge are growing their businesses significantly, adding renewable energy capacity and broadband subscribers, respectively. As a result, both continue to see their market capitalizations grow which likely is the main reason for the inclusion in the index. ACEN will likely continue to grow as it benefits from the global shift towards renewable. Meanwhile CNVRG will also grow on the back of improving household connectivity to fixed broadband services. We expect digital adoption to be in the forefront of commerce and consumer spending post pandemic similar to what we have seen in more developed ASEAN neighbors.

Philippine GDP in 2Q21 rose by 11.8% YoY beating consensus estimate of 10.9%. However, compared to pre-COVID results, the 2Q21 GDP results were still lower by 7.3% compared to 2Q19. The government revised GDP forecasts lower to 4-5% from 6-7% for this year, citing current restrictions enforced over NCR and nearby provinces to negatively impact business activity. They kept GDP forecasts for 2022 unchanged at 7-9%. It is likely that the strict quarantine restrictions placed on Metro Manila will be discontinued and will be replaced by a more targeted and localized approach, with an emphasis on proper testing and expanded vaccination drives in highly affected areas.

Local bond yields for August were mostly higher and the yield curve steepened on the back of supply concerns and Bangko Sentral ng Pilipinas (BSP) Governor Diokno's statement that a cut on the Reserve Requirement Ratio is untimely. Supply concerns intensified on news that the government will propose to Congress a P5.02T budget for 2022, which is 11.5% higher from this year's budget. In fact, the Bureau of Treasury's aggressive behavior during the 20-year bond auction this month when it accepted bids up to 5.11% spooked the markets, as it was seen as a desperate move to raise funds with Covid-19 cases continuously rising.

## Outlook

It is encouraging to see that the government is looking to implement new efforts to contain the worsening pandemic situation in the country as it finds more ways to slowdown the transmission of the virus. We continue to remain constructively optimistic over local equities and keep majority of our positioning on cyclical and reopening names within the Financials and Real Estate sectors on account of the increasing pace of vaccinations and further expectations that the economic recovery will finally gain meaningful traction soon. The Philippine FDA recently approved the use of Moderna vaccines for emergency use for children aged 12-17. Lastly the Department of Health reported that over 19.3Mn people have already received the first dose, while 13.8Mn people have already received full vaccination.

Following the government's reimposition last month of Enhanced Community Quarantine the second time this year, the government lowered its growth forecast to 4-5% from 6-7%. August inflation print surprised to the upside at 4.9% due to increases in the costs of food and non-alcoholic beverages, particularly vegetables and fish. Nevertheless, the BSP reiterated its commitment to keep monetary policy accommodative to the extent inflation outlook will allow, capping any significant spikes in bond yields. Against this backdrop, we will keep the neutral duration positioning vis-à-vis the benchmark as we continue to monitor the local and global developments.

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