

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

Inception Date April 2014	Fund Size PHP 159.39 million	Fund Currency Philippine peso	Dealing/Valuation Daily
Price (NAV/unit) PHP 0.773	Management Fee 2.00% per annum (of which 0.20% will go to the Investment advisor, Manulife Investment Management (HK) Limited.)	Bloomberg Ticker MPPHINC	

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

Performance Return (February 28, 2023)

Peso Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-1.03%	1.02%	-4.02%	-0.71%	-1.72%	0.79%
Annualized	n.a.	n.a.	-4.02%	-0.24%	-0.35%	0.09%

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

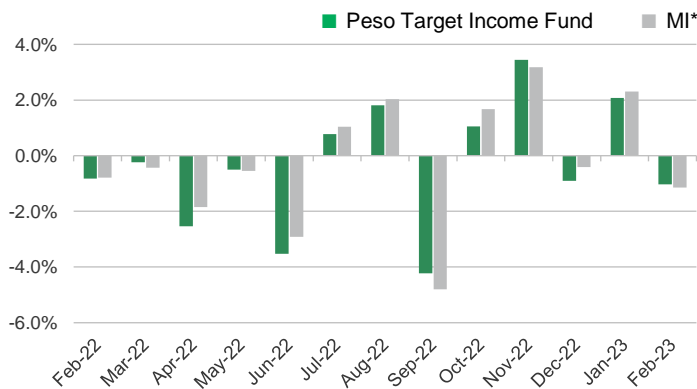


Top Five Holdings

Bond Pool		Short-Term Bond Pool	
FXTN 03/04/27	14.32%	Manulife Stable Income Fund Class I	35.14%
FXTN 08/12/25	12.59%	FXTN 08/12/25	9.17%
FXTN 04/08/26	7.31%	FXTN 09/09/25	7.85%
FXTN 09/09/25	7.17%	FXTN 03/09/24	2.90%
Manulife Income Builder Fund Class I	5.70%	FXTN 08/20/24	2.08%
Equity Pool			
SM INVESTMENTS CORPORATION			12.31%
SM PRIME HOLDINGS INC			9.80%
Manulife Equity Wealth Fund Class I			9.24%
BDO UNIBANK INC			8.01%
BANK OF THE PHILIPPINE ISLANDS			7.72%

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

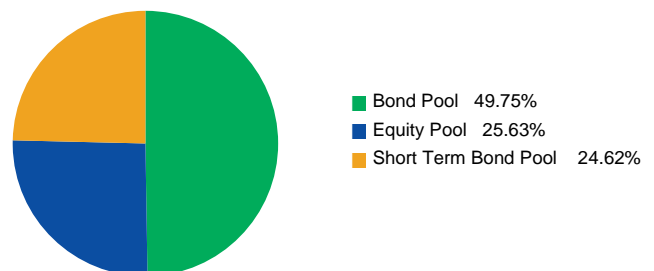
Monthly Performance



*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 Philippine Stock Equity index (PSEi) declined by 3.4% in February, closing to 6,556 level. The equity market was weak due to concerns over the macroeconomic environment such as persistently high inflation in January and February. This brought concerns on potential higher interest rate policy hikes from the Bangko Sentral ng Pilipinas which could derail the growth prospects of the economy in the medium term.

The improvement in the macroeconomic environment appears to be delayed given that January and February inflation remains persistently high at 8.7% and 8.6% from prior years respectively. Although it is encouraging that February inflation appears to have decelerated from the prior month, it remains to be on the high side and beyond the inflation target of Bangko Sentral ng Pilipinas of around 2-4%. Hence, we could expect that interest rate policy could be further hiked to curb the inflation. Note that the BSP has hiked policy rates by 50bps in February, higher than original expectations of just 25bps. There is a possibility that BSP will continue to hike rates in March by another 25bps to follow the US Fed move in the same month.

The government bond market gave back some gains in February as domestic inflation proved to be stickier than expected. Both January and February inflation prints at 8.7% and 8.6%, respectively, dampened expectations that inflation has already peaked. This led the Bangko Sentral ng Pilipinas (BSP) to increase its inflation forecast from 4.5% to 6.1% and raise policy rate by 50bps to 6% in February. Even the U.S. Treasuries market underwent a significant correction with 10-year yields already above end-2022 levels as recent stronger-than-expected U.S. economic data fueled speculations of a prolonged tightening cycle.

Outlook

We have a positive view in Philippine Equities that the weakness of the market has likely priced in already the weak due to macroeconomic headwinds. The PSEi has already declined by around 8% from the peak this year, likely pricing in already the persistently high inflation and the likely hawkish monetary policy response. In addition, the PSEi is only trading at attractive levels with the forward price to earnings of only 12x, a discount from historical average of around 15-16x. Meanwhile consumer demand appears to remain resilient as early indicated by fourth quarter 2022 earnings results from the banks, consumer and property sectors. Generally the earnings 4Q22 earnings reported in February has been upbeat, providing confidence that consumer spending will remain strong in the near future despite the high inflation.

Looking ahead, we prefer to be cautious as we evaluate the rapidly changing market sentiment and macroeconomic landscape. We continue to expect lower yields later in the year as inflation moderates in 2H but we will be opportunistic in adding duration exposure as we expect the heightened volatility to continue in the short-term with both the BSP and U.S. Federal Reserve hiking policy rates more aggressively than initially anticipated.

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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