

# 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 155.92 million	<b>Fund Currency</b> Philippine peso	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> PHP 0.767	<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 (June 30, 2023)

Peso Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.78%	1.25%	3.06%	-1.37%	2.22%	1.01%
Annualized	n.a.	n.a.	3.06%	-0.46%	0.44%	0.11%

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

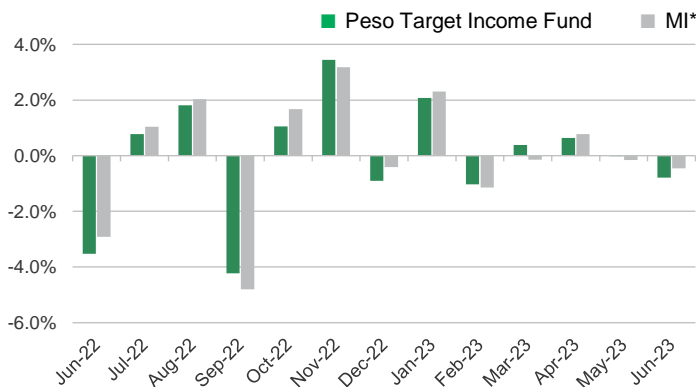


## Top Five Holdings

Bond Pool		Short-Term Bond Pool	
FXTN 03/04/27	13.49%	Manulife Stable Income Fund Class I	36.60%
FXTN 08/12/25	11.03%	FXTN 08/12/25	10.19%
FXTN 09/09/25	6.68%	FXTN 02/14/26	9.02%
FXTN 04/08/26	6.65%	FXTN 04/08/26	8.28%
Manulife Income Builder Fund Class I	5.51%	FXTN 09/09/25	8.02%
Equity Pool			
SM INVESTMENTS CORPORATION			14.04%
SM PRIME HOLDINGS INC			9.59%
Manulife Equity Wealth Fund Class I			9.13%
BDO UNIBANK INC			8.44%
BANK OF THE PHILIPPINE ISLANDS			7.70%

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

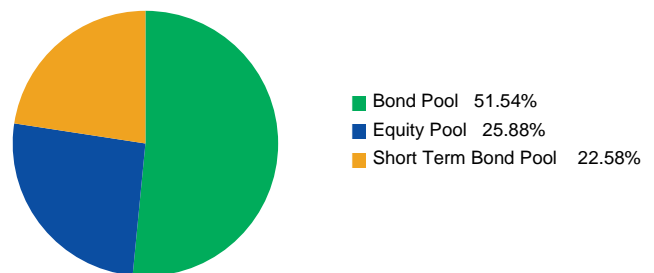
## Monthly Performance



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

# Peso Target Income Fund

## Market Review

The Philippine Stock Equity index (PSEi) was flat in June, ending at 6,430 level and just -0.09% lower compared to the prior month. The equity market started out June weak due to the concerns over potential interest rate hikes from the US. The weakness reversed as the Bangko Sentral ng Pilipinas extended its interest rate hike pause in its June meeting.

The macroeconomic picture continued to improve with June inflation slowing down to 5.4% y/y, lower compared to 6.1% in May. This decline provided the BSP with further room to pause interest rate hikes during the month. The Philippine peso also strengthened due to improving trade deficit figures as well as a weaker US Dollar. Meanwhile, President Ferdinand Marcos Jr. signed into law the Senate Bill 2020 and House Bill 6608, establishing the Maharlika Investment Fund (MIF). The Maharlika Fund will be initially funded by the National Government together with Landbank and Development Bank of the Philippines. The fund aims to invest in various asset classes such as equities, fixed income, as well as government infrastructure projects. On the other hand, Department of Finance Secretary Benjamin Diokno is planning to impose taxes on 'junk food' or food items that high contents of salt and beverages with sugar.

Overseas, investor sentiment also significantly improved after seeing US Inflation falling down to 3% in June, closer to the US Federal Reserve's target of 2%. Consensus expects the US Fed to raise policy rates by another 25bps in July. Meanwhile, El Nino has already officially started in June. So far, the government expects that this El Nino would be on the mild side of the spectrum. Hence, there is a likelihood that the impact of El Nino to inflation will be minimal.

Yields rose by 30-40bps in June, reversing over half of this year's rally. Despite the continuous moderation in local inflation to 5.4% in June from May's 6.1% print, the market decided to focus on rising yields in the U.S., as well as the Bureau of Treasury's decision to upsize its weekly FXTN auctions from P25b to P30b. Stronger-than-expected activity and jobs data in the U.S. fueled speculation of another Federal Reserve hike this month with possibility of rate cuts pushed back to next year. Nevertheless, the Bangko Sentral ng Pilipinas (BSP) maintained its stance that it has room to extend its pause in adjusting the policy rate.

## Outlook

We have a positive view on Philippine Equities as the macroeconomic environment continues to improve. Philippine inflation appears to be under control which provides the BSP to potential cut interest rates in 4Q23. Note that the new BSP Governor, Eli Remolona, mentioned that they could consider cutting interest rates if inflation falls to 4%. In addition, the appreciation of the Philippine Peso due to declining trade deficit and weaker US Dollar supports a positive view on the local equity market. Meanwhile, the PSEi continues to trade at very attractive valuations, trading at only 12x forward price to earnings, a discount from historical average of 15x. One key challenge the market faces is the potential impact of El Nino on food supply and inflation.

While we acknowledge the presence of upside risks to inflation stemming from El Nino, we continue to expect local inflation to ease through the second half of the year and fall within the BSP's target range of 2-4% in 4Q. Furthermore, the recent sell-off has made local yields attractive with longer tenors approaching 7%. Indeed, volatility in U.S. interest rates has been spilling over to the local bond market, but the Philippines' improving macroeconomic fundamentals, remains supportive of a positive second half.

---

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.

The information and/or analysis contained in this material have been compiled or arrived at from sources believed to be reliable but The Manufacturers Life Insurance Co. (Phils.), Inc. ("Manulife Philippines") does not make any representation as to their accuracy, correctness, usefulness or completeness and does not accept liability for any loss arising from the use hereof or the information and/or analysis contained herein. 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. Neither Manulife Philippines or its affiliates, nor any of their directors, officers or employees shall assume any liability or responsibility for any direct or indirect loss or damage or any other consequence of any person acting or not acting in reliance on the information contained herein.

The information in this material may contain projections or other forward-looking statements regarding future events, targets, management discipline or other expectations, and is only as current as of the date indicated. There is no assurance that such events will occur, and may be significantly different than that shown here. The information in this material including statements concerning financial market trends, are based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. This material was prepared solely for informational purposes and does not constitute a recommendation, professional advice, an offer, solicitation or an invitation by or on behalf of Manulife Philippines to any person to buy or sell any security. This material should not be viewed as a current or past recommendation or a solicitation of an offer to buy or sell any investment products or to adopt any investment strategy. Nothing in this material constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. Past performance is not an indication of future results.

Manulife and the block design are registered service marks and trademarks of The Manufacturers Life Insurance Company and used by it and its affiliates including Manulife Financial Corporation.