

Peso Target Income Fund

An investment fund option for **Affluence, Affluence Gold** and **Affluence Builder** 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 202.24 million	Fund Currency Philippine peso	Dealing/Valuation Daily
Price (NAV/unit) PHP 0.903	Management Fee 2.00% per annum (of which 0.2% will go to the investment advisor, MAM Hong Kong Ltd.)	Bloomberg Ticker MPPHINC	

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

Performance Return (August 31, 2019)

Peso Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	0.47%	8.63%	5.38%	-0.59%	3.78%	5.45%
Annualized	n.a.	n.a.	5.38%	-0.20%	0.74%	0.99%

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

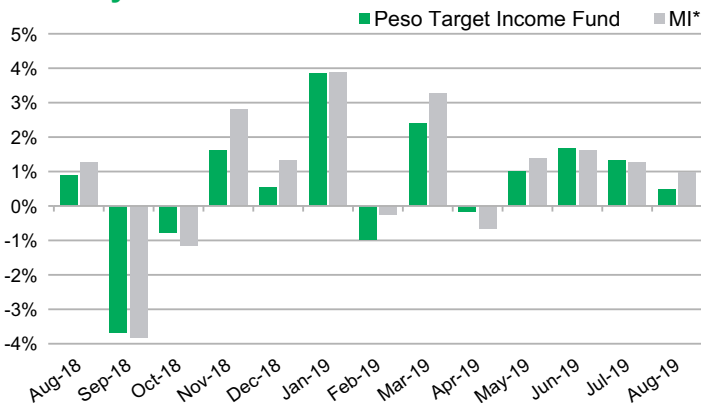


Top Five Holdings

Bond Pool		Short-Term Bond Pool	
FXTN 03/12/24	19.2%	Manulife Stable Income Fund Class I	34.3%
RTB 12/04/22	15.1%	FXTN 01/26/22	19.3%
RTB 06/13/21	6.5%	RTB 06/13/21	15.1%
FXTN 04/21/23	6.1%	FXTN 01/19/22	12.2%
Manulife Income Builder Fund Class I	5.4%	FXTN 03/20/21	6.0%
Equity Pool			
Manulife Equity Wealth Fund Class I	12.4%	BDO Unibank	8.4%
SM Investments	11.9%	Ayala Corporation	7.6%
Ayala Land	9.0%		

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

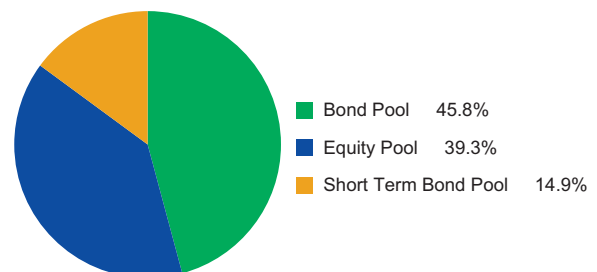
Monthly Performance



*Market Indicator = 56.67% Markit iBoxx ALBI Philippines Liquid Index + 28.33% Markit iBoxx ALBI Philippines 1-3 Index + 15% PSEI

Portfolio Breakdown

Asset Allocation (at Market Value)



As per the fund's Investment Policy Statement, initial subscriptions are invested in fixed 70% Bond Pool, 10% Short-Term Bond Pool and 20% 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 local stock market index closed at 7,980, down 0.8% for the month of August. US-China trade tensions escalated with the US imposing a 10% tariff on additional US\$300bn worth of imports from China effective September 1, in which China responded by weakening the Yuan and threatened to cease imports of US agriculture products. Locally, the effect of the 2019 budget impasse and ban on government spending during mid-term election continued to impact economic growth in 2Q19 with a 5.5% YoY growth versus 1Q19s 5.6%. Meanwhile, inflation fell further to 2.4% YoY in July from 2.7% in June, in line with expectations. From a so-called prudent pause in June, BSP makes a pre-emptive move and cut another 25bps on its policy rate, bringing it down to 4.25%, on assessment that prospects for global economic activity are likely to remain weak amid sustained trade tensions among major economies. The latest monetary action came after surprise cuts from New Zealand, India, and Thailand the day before the Philippine central bank meeting. BSP's policy cut was a welcome move given sustained easing inflation and 2Q19 GDP that grew sub-6% for the second consecutive quarter. Lastly, the second quarter earnings season came to a close, with PSEI earnings showing robust growth of 16% compared to the same period last year, in line with market expectations.

Growing concerns on the global economy moving into recession territory has been exacerbated with the yield curve inversion of the 10-year US Treasury (UST) falling lower than 2-year UST, prompting select Emerging Market outflows from foreign fund managers. While the reciprocation of additional tariffs between the US and China continues, a quick solution seems unlikely and global risk-off sentiment may govern in the near term. On the local front, statements from the Bangko Sentral ng Pilipinas (BSP) include a dovish tilt that reinforces both a policy and reserve requirement ratio (RRR) cut before the end of 2019.

Outlook

We have turned a bit more cautious on the market due to global growth worries. Negative sentiment can impact the market despite strong local macro as investors de-risk due to global growth concerns. Furthermore, the stocks in the property sector were sold off after the Chinese government indicated its desire for the Philippines to ban all online gambling. Gaming agency PAGCOR revealed that it would not be accepting any new POGO applications in response to statements made by the Chinese embassy in Manila.

The portfolio will continue to prefer positions in names with firm fundamentals, and avoid stocks that are more exposed to the global economy, as well as Chinese demand-driven sectors due to possible policy changes.

Against this backdrop, peso bond yields trended lower for August as buying activity continued for the local bond market. Amid expectations of the Philippine inflation to continue its downtrend, with August CPI hitting south of 2% (printed at 1.7%) due to base effects, there may be room for bond yields to trend lower. In this environment, we will maintain the longer duration positioning as we anticipate additional policy and RRR cuts from the BSP in the coming months.

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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