Manulife

December 31, 2020

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 191.39 million

Fund Currency
Philippine peso

Dealing/Valuation
Daily

Price (NAV/unit)
PHP 0.874

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 (December 31, 2020)

Peso Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	1.88%	1.20%	1.20%	3.28%	8.27%	6.77%
Annualized	n.a.	n.a.	1.20%	1.08%	1.60%	0.98%

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

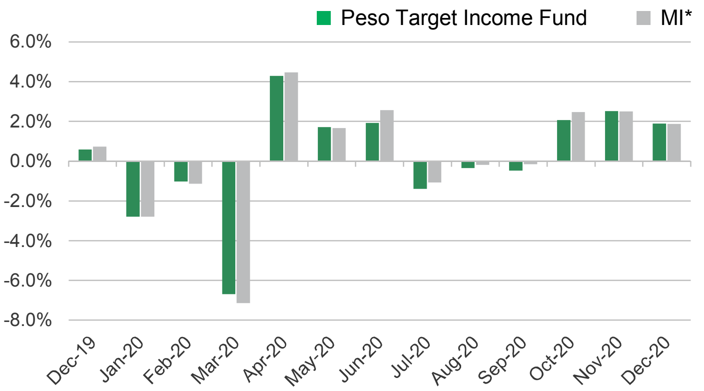
Top Five Holdings

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

Equity Pool	
SM INVESTMENTS CORPORATION	14.77%
Manulife Equity Wealth Fund Class I	10.71%
SM PRIME HOLDINGS INC	9.41%
AYALA LAND INC	8.68%
AYALA CORPORATION	6.48%

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

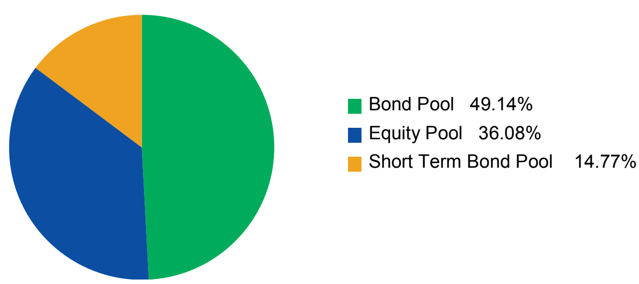
Monthly Performance



**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*

Peso Target Income Fund

Market Review

The Philippine Stock Exchange Index was up 5.21% for December as encouraging developments on the COVID vaccine continued to lift market sentiment. Major market proxies in cyclical sectors like industrials, real estate and banks led the rally as domestic investors continue to deploy excess liquidity positions despite continued net foreign selling activity which have breached $2.5 billion in 2020.

The Ayala Corporation announced a further shuffling of its senior leadership team by splitting the Chairman and CEO roles. Jaime Augusto Zobel de Ayala will take on solely the role of Chairman of the Board while Fernando Zobel de Ayala will be appointed CEO. Additionally, Globe Telecom's current Chief Commercial Officer, Alberto Larrazabal will succeed TG Limcaoco as Ayala Corp's CFO. On the other hand, TG Limcaoco will be replacing Cezar Consing as President and CEO of BPI upon his retirement in April 2021.

Metro Pacific Investments Corporation (MPI) sold its remaining 56% stake in Global Business Power to component company Meralco at a valuation of P22 Billion. The transaction will consolidate the group's power assets under Meralco. This transaction is expected to be completed by the first quarter of 2021.

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

2021 will be a rebound year for equities to be led by cyclical sectors like real estate, banks and industrials. We expect the local growth story to finally turn more positive in 2021 as GDP growth recovers at the fastest pace versus its neighbors on the back of additional economic reform measures, increased government spending on infrastructure, and a recovery in consumer sentiment.

We expect the market's earnings to rebound in 2021 following a collapse in 2020 which could further sustain the re-rating of local equities. Admittedly, COVID-19 will remain an overhang in 2021 but with daily infections and healthcare capacity at manageable levels vis-à-vis expectations of a vaccine deployment towards mid-year, we expect mobility restrictions to further ease up, leading to a more sustained recovery in economic activity.

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.

Peso Target Income Fund

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