

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 198.12 million	Fund Currency Philippine peso	Dealing/Valuation Daily
Price (NAV/unit) PHP 0.888	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 (September 30, 2019)

Peso Target Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-1.41%	7.10%	8.03%	-0.13%	1.45%	3.96%
Annualized	n.a.	n.a.	8.03%	-0.04%	0.29%	0.71%

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

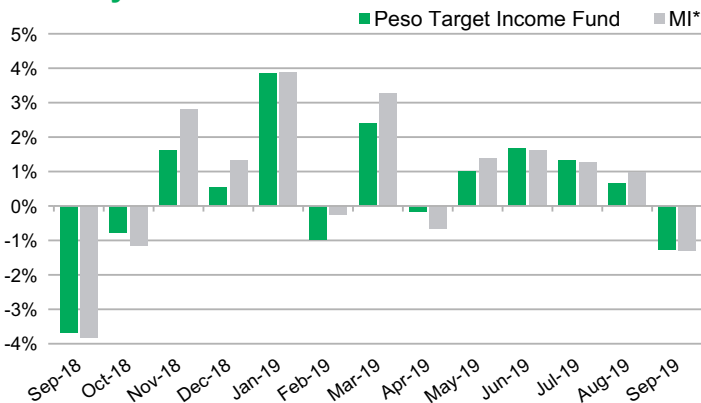


Top Five Holdings

Bond Pool		Short-Term Bond Pool	
FXTN 03/12/24	19.3%	Manulife Stable Income Fund Class I	34.4%
RTB 12/04/22	15.6%	FXTN 01/26/22	19.3%
RTB 06/13/21	6.5%	RTB 06/13/21	15.1%
FXTN 04/21/23	6.0%	FXTN 01/19/22	12.2%
Manulife Income Builder Fund Class I	5.3%	FXTN 03/20/21	6.0%
Equity Pool			
Manulife Equity Wealth Fund Class I	12.4%	SM Prime Holdings	8.3%
SM Investments	11.3%	BDO Unibank	7.9%
Ayala Land	9.6%		

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

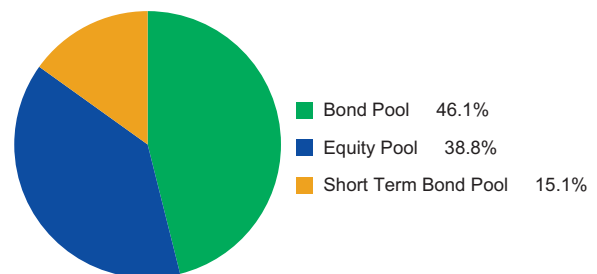
Monthly Performance



*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 (PSEI) closed at 7,779, down 2.5% for the month of September. The equities market weakness can be partially attributed to the FTSE rebalancing where most Philippine stocks were down-weighted. However, global news continued to dictate local market movement during the month amidst the lack of updates domestically. In an expected move, the Federal Reserve cut policy rates by 0.25% to bring the Fed benchmark to 1.75% in an effort to sustain US expansion given the circumstances of uncertainty in trade policy and slowing growth. The US's move supports the Philippine Central Bank's action to also cut rates by 0.25% as well, bringing down the policy rate to 4%. A benign inflation environment and a need to support economic recovery gave the BSP enough space to remain dovish. The BSP will be slashing banks' reserve requirement ratio (RRR) by another 1% effective first week of November, which will bring down the RRR of big banks from 16% to 15%. The RRR should release as much as P100bn into the country's financial system.

On the local macro front, initial concerns on the impact to Philippine inflation as a result of the attack on Saudi oil production facilities are starting to wane, with the Saudi government looking to restore lost production as soon as the end of September. Oil prices spiked to as much as 20% higher on the news but have since declined to only being 7% up pre-attack. Fuel and transportation make up 7% and 8% of the Philippine consumer basket, respectively. Due to renewed inflation concerns, Philippine 10yr bond yields rose to 4.8% from 4.3% in August.

Local bond yields trended higher by as much as 50bps in mid-September from the July lows which could be viewed as a correction from a rally that unfolded too quickly. The uptick in local bond yields was exacerbated by the same uptrend seen in US Treasuries. This environment in both markets has led to investors reducing their holdings at a time when market liquidity was not present, intensifying the uptick in yields. Against this backdrop, an air of cautiousness resulted as investors recalibrated and were sidelined as they wait for clearer market direction.

Outlook

The PSEI continues to trade within the 7,700 to 8,000 range. We are likely to see volatility in the markets persist, mainly driven by the uncertainty brought about by the US-China trade war. Meanwhile, four upcoming IPOs with a combined USD2 billion may further result to market pressure as investors prepare to fund these new potentially positions. As such, the portfolio will look to focus positioning into names with company-specific drivers, opting for a more bottom-up approach in these times of volatility.

Towards the end of the month, some buying activity finally emerged after the Bangko Sentral ng Pilipinas cut policy rates by 25bps to 4% and reserve ratio requirement by 100bps to 15%. However, in spite of the additional monetary stimulus, we still maintain our neutral outlook and duration positioning for local peso bonds on the back of a possible Retail Treasury Bond (RTB) issuance in the fourth quarter coupled with extended trade war concerns and signs of a slowing US economy.

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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