

# Peso Target Distribution 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 1.66 billion	<b>Fund Currency</b> Philippine peso	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> PHP 0.821	<b>Management Fee</b> 2.25% per annum (of which 0.20% will go to the Investment advisor, Manulife Investment Management (HK) Limited.)	<b>Bloomberg Ticker</b> MPPHDIS	

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

## Performance Return (September 30, 2021)

Peso Target Distribution Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.36%	-2.36%	4.06%	7.34%	-1.34%	2.58%
Annualized	n.a.	n.a.	4.06%	2.39%	-0.27%	0.34%

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

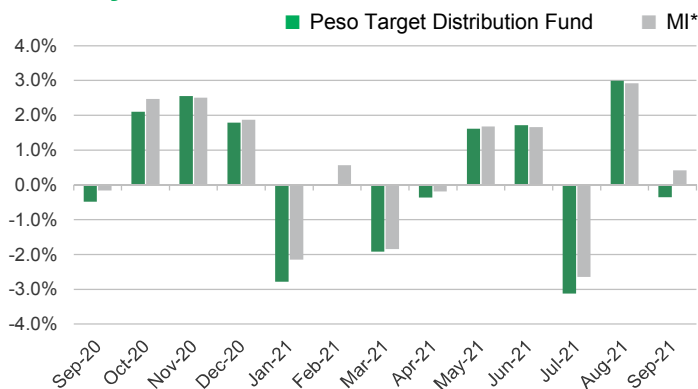


## Top Five Holdings

Bond Pool		Short-Term Bond Pool	
FXTN 08/12/25	14.59%	Manulife Stable Income Fund Class I	36.52%
FXTN 03/09/24	14.28%	FXTN 03/09/24	10.26%
FXTN 02/11/23	8.62%	FXTN 02/11/23	5.39%
FXTN 09/09/25	8.14%	RTB 12/04/22	5.24%
Manulife Income Builder Fund Class I	5.87%	FXTN 07/04/22	5.12%
Equity Pool			
SM INVESTMENTS CORPORATION			13.75%
Manulife Equity Wealth Fund Class I			10.14%
SM PRIME HOLDINGS INC			8.70%
AYALA LAND INC			8.47%
AYALA CORPORATION			7.92%

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

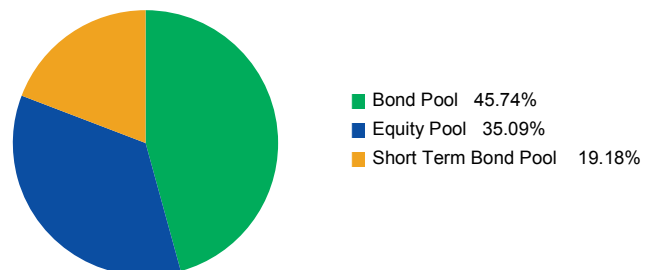
## Monthly Performance



\*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 Distribution Fund

## Market Review

The recovery of the Philippine market was sustained with the PSEi up 1.4% in September, ending at 6,952. This brings total gains in the last two months to 11% and trims the PSEi's YTD loss to 1.1%. The rally continues to be driven by encouraging developments in containing the COVID-19 surge and the improvement in vaccination rate. We also saw the peak of COVID-19 surge in late September when daily cases averaged around 20,000.

In September, Metro Manila was placed under level 4, a step lower than the strictest lockdown classification. The government will likely continue to increase mobility in Metro Manila should cases continue to go down. Supporting this thesis is the capital's vaccination rate, which is now above 50% of the total population. The national vaccination rate has also hit 20% by end-September according to data from the Department of Health. With over 90m in vaccine doses as of mid-Oct, the expectation is that vaccination rate should continue to improve as the fourth quarter progresses.

On the macro front, the financial sector saw an improvement with the BSP reporting a 0.5% MoM increase in July loans. Meanwhile, inflation picked up to 4.9% in August, driven by higher food prices. Cost pressures are starting to impact as energy prices pick up with coal and natural gas leading the charge given global supply constraints.

There were noteworthy stock specific updates during the month. First, there were a couple of new REIT Initial Public Offering (IPOs), namely Robinsons Commercial REIT (RCR) and Megaworld REIT (MREIT). The REITS raised close to P40bn. In addition, a cornerstone investor of MONDE sold P5bn worth of shares to the market.

Local bond yields continued to rise in September as concerns over inflation resurfaced with September inflation printing at 4.8%, staying above the Bangko Sentral ng Pilipinas's (BSP) 2-4% target range. Inflation rate will likely stay elevated with the holidays just around the corner. In fact, the BSP revised its inflation forecast from 4.1% to 4.4% this year. Nevertheless, the BSP views the inflation uptick as supply-driven and continues to reiterate its commitment to an accommodative monetary policy until we see hard evidence of full recovery.

Supply concerns also weighed on bond market sentiment, particularly the belly of the curve, as the Bureau of Treasury's October auction schedule focuses on 5 to 7-year bonds. The market is not discounting the possibility of a Peso Retail Treasury Bond (RTB) sale even after the BTr had its maiden retail dollar bond sale.

## Outlook

Early in October, average COVID-19 new cases declined by half to around 10,000 per day while there is a gradual reopening of the economy on lowering quarantine restrictions. In addition, the upcoming national elections could potentially provide a boost to spending, resulting to higher corporate earnings. These support our overweight positions on cyclical sectors including as Financials and Real Estate. Meanwhile, election spending could provide a boost to spending, providing a boost to consumer discretionary and staples.

The external environment has also been quite challenging for bond yields as Treasury yields are finally pricing in the Federal Reserve's possible tapering of bond purchases this year. Moreover, elevated US inflation and discussions around the increase in US debt ceiling reinforced the sell-off. Against this backdrop, we will keep the neutral duration positioning vis-à-vis the benchmark as we continue to monitor the local and global developments.

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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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