

# 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 1.44 billion	<b>Fund Currency</b> Philippine peso	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> PHP 0.753	<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 (December 31, 2022)

Peso Target Distribution Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.93%	-4.78%	-4.78%	-6.03%	-4.57%	-2.31%
Annualized	n.a.	n.a.	-4.78%	-2.05%	-0.93%	-0.27%

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

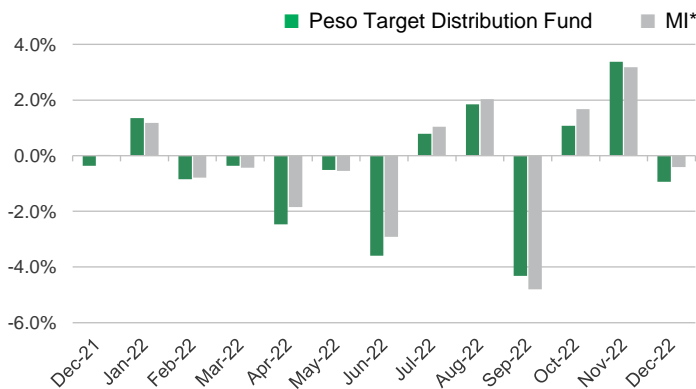


## Top Five Holdings

Bond Pool		Short-Term Bond Pool	
FXTN 03/04/27	14.74%	Manulife Stable Income Fund Class I	35.75%
FXTN 08/12/25	13.27%	FXTN 08/12/25	7.93%
FXTN 04/08/26	7.47%	FXTN 03/09/24	7.67%
FXTN 09/09/25	7.37%	FXTN 03/12/24	3.99%
FXTN 02/14/26	6.14%	FXTN 09/09/25	3.63%
Equity Pool			
SM INVESTMENTS CORPORATION			12.58%
SM PRIME HOLDINGS INC			10.13%
Manulife Equity Wealth Fund Class I			9.26%
BANK OF THE PHILIPPINE ISLANDS			7.18%
BDO UNIBANK INC			6.93%

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

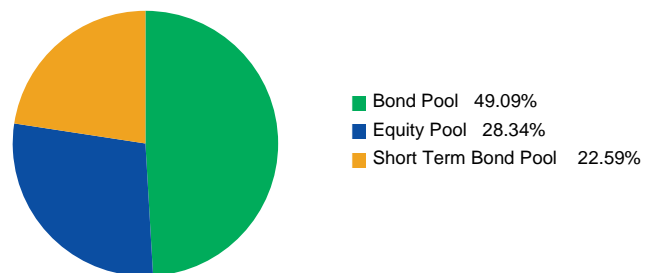
## Monthly Performance



\*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 Philippine Stock Equity index (PSEi) declined by 3% from the prior month to end the year at 6,733. The decline in December was driven mostly by profit taking following a 15% in the prior two months. For 2022, PSEi lost 5.9%. The Philippine peso for 2022 was weaker by 9%, mostly due to the strong US Dollar coupled with our widening trade deficit.

December inflation was persistently high at 8.1% year on year, from November's 8% print. According to the Bangko Sentral ng Pilipinas (BSP), there is a likelihood that we'll see inflation peak already in December. In addition, BSP raised policy rates by another 50bps in December, following the move of the US Federal Reserve. The BSP raised rates by a cumulative 350 bps for 2022. With easing pressure on inflation, the BSP indicated that we could see a slowdown in rate hikes in 2023. This reduced the pressure on currency, bringing it to the P55 level to the US\$. Recall it was trading closer to P59 to the dollar back in October.

2022 continued to be a very challenging for the local fixed income market as inflation averaged 5.8% for the year. In the fourth quarter, inflation hovered around 8%, breaching the recent high of 6.9% in 2018. Both the Russia-Ukraine war and zero-COVID policy in China brought about significant broad based supply shock implications, leading to a massive increase in food and commodity prices. Crude oil prices surged above US\$100/barrel around mid-year, before moderating to around US\$80/barrel towards the yearend. These supply shocks, exacerbated by a weak currency, translated to second-round effects, including wage and transport fare hikes, which further fanned domestic inflation.

The short-end of the yield curve bore the brunt of the sell-off as initial hesitation from both the Federal Reserve (Fed) and the Bangko Sentral ng Pilipinas (BSP) to tighten monetary policy necessitated more aggressive rate hikes during the year. The Fed and the BSP raised policy rates by 425bps and 350bps, respectively, during the year. Two Retail Treasury Bond (RTB) issuance amounting to almost PhP900bio also flooded the market with massive additional supply, which proved to be difficult to digest given the weak market sentiment.

## Outlook

We have a positive view on Philippine Equities as attractive valuations and strong corporate earnings would provide tailwinds to market. Currently, the Philippine Equity Index is trading at around 13.5x forward price to earnings, a slight discount to historical average of around 15x. The Philippines is a consumption driven economy and would be more defensive amidst slowing global trends. It helps that the macroeconomic picture is improving with inflation likely to peak in the near term in the Philippines, reducing the pressure on further rate hikes.

We expect economic growth to remain robust. The government estimates 2023 economic growth to fall within the range of 6-7%. Barring an escalation in the Russia-Ukraine war, we expect inflation to start moderating in the second quarter. While it may be too early to conclude that domestic inflation has peaked, the BSP's latest statement that it is nearing the end of its tightening cycle is reasonable as it takes a while for the economy to fully respond to monetary policy actions.

Furthermore, emerging recession risks in the U.S. urged the market to pare back Fed rate hike expectations. With the BSP closely following the Fed's actions, this also translates to smaller hikes from the BSP. As more attention shift to U.S. recession risks, the resulting decline in U.S. interest rates may also encourage foreign flows to domestic assets as investors search for yield.

Against this backdrop, we expect the macroeconomic environment to be more supportive for the local bond market than last year. Nevertheless, we will continue to monitor negative effects from supply and inflation risks.

---

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.