December 31, 2023

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

Inception Date April 2014	**Fund Size** PHP 1.21 billion	**Fund Currency** Philippine peso	**Dealing/Valuation** Daily
Price (NAV/unit) PHP 0.755	**Management Fee** 2.25% per annum (of which 0.20% will go to the Investment advisor, Manulife Investment Management (HK) Limited.)		**Bloomberg Ticker** MPPHDIS

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

Performance Return (December 31, 2023)

Peso Target Distribution Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	1.46%	3.33%	3.33%	-3.92%	4.71%	0.94%
Annualized	n.a.	n.a.	3.33%	-1.32%	0.92%	0.10%

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

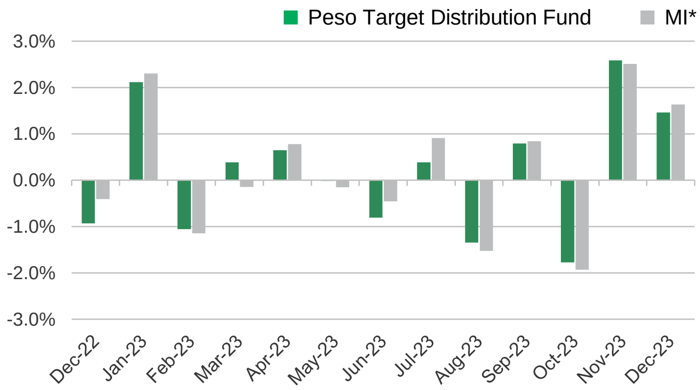
Top Five Holdings

Bond Pool		Short-Term Bond Pool	
FXTN 03/04/27	13.55%	Manulife Stable Income Fund Class I	39.00%
FXTN 08/12/25	9.68%	Manulife Money Market Fund Class I	15.31%
FXTN 08/22/28	6.34%	FXTN 02/14/26	9.36%
FXTN 09/09/25	5.99%	FXTN 04/08/26	8.81%
FXTN 04/08/26	5.86%	FXTN 09/09/25	8.49%

Equity Pool	
SM INVESTMENTS CORPORATION	14.13%
SM PRIME HOLDINGS INC	9.69%
Manulife Equity Wealth Fund Class I	9.11%
BDO UNIBANK INC	7.78%
INTERNATIONAL CONTAINER TERMINAL SERVICES INC	7.68%

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

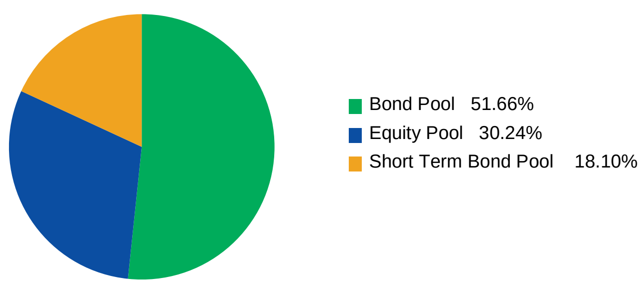
Monthly Performance



**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) was up 3.81% in December. This brings the PSEi index to 6,450 level and provided a total return of around 1% for the year 2023. The rally in December was driven mostly by the improvement in the macroeconomic picture such as decelerating inflation while central banks paused hiking policy rates.

The macroeconomic environment of the Philippines further improved in December as seen in the inflation figure decelerating to 3.9% for the month, lower compared to 4.1% in November. Easing prices on housing, water, electricity, and other fuels helped bring inflation lower in December. If not for the significant increase in rice prices which was at around 19%, inflation could have been lower and well within in the middle of the Bangko Sentral ng Pilipinas inflation target of 2-4%.

Meanwhile, the BSP has kept policy interest stable at 6.5%. This is similar to the move of US Federal Reserve to keep their policy interest rates steady. As a result, market rates declined and providing legs to an equities rally in December.

There were a few updates from the government side as well during December such as the appointment of Frederic Go as Special Assistant to the President for Investment and Economic Affairs. He will serve as the Chairperson of Economic Development Group and identify key priority programs and projects of the government. On the other hand, President Marcos signed into law the Private Public Partnership (PPP) code of the Philippines and Internet Transaction Act. The PPP code aims to update the current framework used in the previous administrations.

The Bangko Sentral ng Pilipinas (BSP) underwent leadership change with Eli Remolona succeeding Felipe Medalla as BSP Governor. As the new BSP Head, Remolona has maintained a hawkish tone even during periods when inflation eased and growth slowed, citing upside risks to inflation extending into this year and inflation-targeting as the priority of BSP. Even with a disappointing 2Q growth of 4.3%, the BSP indicated its willingness to tolerate slower growth to tame inflation despite inflation being driven by supply shocks.

It has been a volatile year for the bond market as sudden shifts in inflation and monetary policy expectations triggered a couple of wild swings in yields. Following a strong start in January, with yields falling by 50-100bps, the market gave back some gains in February as domestic inflation proved to be stickier than expected. This led the BSP to drastically increase its inflation forecast and raise policy rate by a total of 75bps in the first quarter.

After staying light in the past few years, investors have been looking forward to an upbeat bond market environment and an end to central banks' monetary policy tightening. Over-enthusiasm among investors fueled another rally in May, with local yields dipping below 6% even while inflation rate remained above 6%. Weak sentiment in U.S. Treasuries eventually spilled over to local markets as stronger-than-expected activity and jobs data in the U.S. pushed 10-year yields to 5% in October. The painful sell-off that followed erased almost all gains in the local bond market since start of the year and drove yields back to 7%. Furthermore, the reacceleration of local inflation in the third quarter prompted the BSP to deliver a 25bps off-cycle rate, bringing policy rate to 6.5% and the total cumulative hikes from this tightening cycle to 450bps.

October's easing inflation was a welcome surprise after consecutive monthly increases in inflation in the third quarter. This provided a much-needed relief rally for the local bond market in the last two months of the year. While full-year inflation at 6% is still much higher than the BSP' target range, the easing inflation in the fourth quarter cemented views that the BSP is finally done with monetary policy tightening.

Outlook

We continue to stay positive on Philippine equities driven by the improving macroeconomic backdrop of the country. The potential cut in policy interest rates could provide more upward momentum for the equity markets going into 2024. In part of this, the deceleration of inflation and declining pressure on consumers could boost consumption spending again.

From tightening, the market has now shifted its focus on the timing of monetary easing, with as much as 75bps rate cuts being priced in for the U.S. Federal Reserve. Should local inflation continue to moderate, Fed rate cuts would likely prompt the BSP to follow suit to maintain a healthy interest rate differential between the U.S. and the Philippines. Nevertheless, the BSP continues to be somewhat hawkish, with the BSP Governor reiterating that monetary policy will continue to be tight on the back of upside risks to inflation. In fact, the BSP continues to expect inflation this year to average above its target range of 2-4%. In terms of growth, the government has a growth target of 6.5-7.5% this year.

Looking ahead, while we continue to have a positive outlook on government bonds for 2024, we can expect bouts of volatility to continue until we see a sustained decline in inflation.

Peso Target Distribution Fund

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.

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