

# 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><br>April 2014  | <b>Fund Size</b><br>PHP 1.32 billion  | <b>Fund Currency</b><br>Philippine peso | <b>Dealing/Valuation</b><br>Daily |
| <b>Price (NAV/unit)</b><br>PHP 0.759 | <b>Management Fee</b><br>2.25% per annum (of which 0.20% will go to the Investment advisor, Manulife Investment Management (HK) Limited.) | <b>Bloomberg Ticker</b><br>MPPHDIS      |                                   |

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

## Performance Return (May 31, 2023)

| Peso Target Distribution Fund<br>(net of management fee) | 1 Month | YTD   | 1 Year | 3 Years | 5 Years | Since Inception |
|--|---------|-------|--------|---------|---------|-----------------|
| Absolute   | -0.01%  | 2.07% | 0.03%  | 0.69%   | 0.70%   | -0.28%          |
| Annualized   | n.a.    | n.a.  | 0.03%  | 0.23%   | 0.14%   | -0.03%          |

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

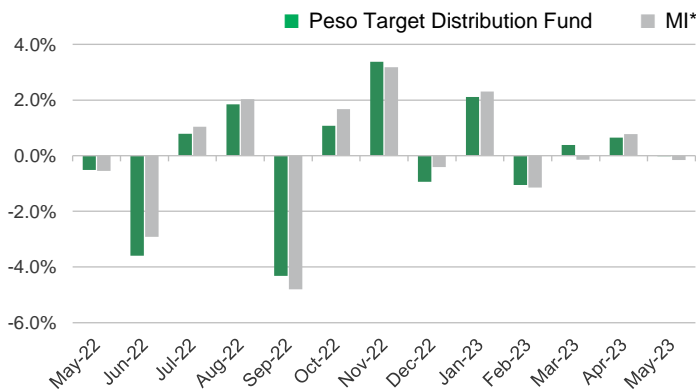


## Top Five Holdings

| Bond Pool                            |        | Short-Term Bond Pool                |        |
|--------------------------------------|--------|-------------------------------------|--------|
| FXTN 03/04/27                        | 14.08% | Manulife Stable Income Fund Class I | 36.66% |
| FXTN 08/12/25                        | 11.44% | FXTN 08/12/25                       | 13.55% |
| FXTN 09/09/25                        | 6.95%  | FXTN 02/14/26                       | 8.45%  |
| FXTN 04/08/26                        | 6.92%  | FXTN 09/09/25                       | 8.11%  |
| Manulife Income Builder Fund Class I | 5.73%  | FXTN 04/08/26                       | 7.71%  |
| Equity Pool                          |        |                                     |        |
| SM INVESTMENTS CORPORATION           |        |                                     | 13.85% |
| SM PRIME HOLDINGS INC                |        |                                     | 9.65%  |
| Manulife Equity Wealth Fund Class I  |        |                                     | 9.14%  |
| BDO UNIBANK INC                      |        |                                     | 8.58%  |
| BANK OF THE PHILIPPINE ISLANDS       |        |                                     | 7.14%  |

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

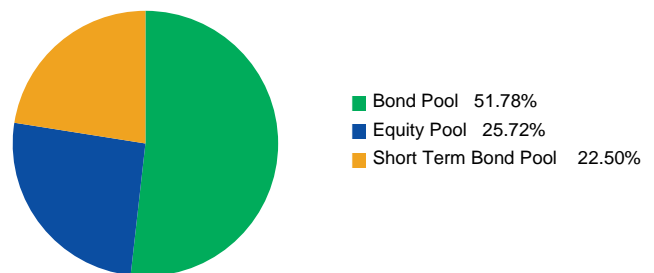
## Monthly Performance



\*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 down 1.87% in May, declining to 6,477. The weakness in the equity market was driven mostly by foreign outflows amidst a cut in Philippine weight in major offshore indices. Adding pressure was the weaker Philippine Peso, which depreciated by 1.6% to P56.36/\$ in May.

The macroeconomic environment continued to improve with May headline inflation decelerating further to 6.1% from 6.6% in April. This is a significant improvement from January when inflation peaked at 8.7%. The sustained decline in inflation was driven by lower prices of transportation, food and non-alcoholic beverages, restaurants and accommodations. As a result, the Bangko Sentral ng Pilipinas (BSP) opted to pause hiking interest rates in its latest policy meeting in June. The Philippine government has also passed the bill creating the country's first sovereign wealth fund in Congress. The bill once signed into law can invest in a wide range of assets to support government projects such as infrastructure development.

Local inflation rate moderated to 6.1% in May from April's 6.6% print, resulting in a strong bond market performance in May and decent demand in the Bureau of Treasury's recent bond auctions. The softening inflation backdrop allowed the Bangko Sentral ng Pilipinas (BSP) to keep its policy rate steady at the Monetary Board meeting in May at 6.25%, with BSP Governor Medalla signaling an extended pause in policy rate adjustments and a potential end to its tightening cycle. The latest GDP print of 6.4% in 1Q is well within the market's expected range, albeit a marked slowdown from the previous quarter.

## Outlook

We continue to have a positive view on Philippines equities due to the improving macroeconomic conditions in the country. With the decline in inflation and pause in hiking rates would put Philippines in a better footing to support economic growth. In addition, the PSEi continues to trade at very attractive valuations, trading at only 12x forward price to earnings, a discount from historical average of 15x. The main hurdle for Philippine Equities remains to be sustained foreign fund outflows as foreign investors rotate to developed markets that are currently have themes in vogue such including the China reopening and technology related to artificial intelligence and electric vehicles.

We expect local inflation to continue easing through the second half of 2023, with the inflation rate expected to fall within the BSP's target range of 2-4%. While volatility in U.S. interest rates has been spilling over to the local bond market, moderating inflation, along with the Philippines' improving macroeconomic fundamentals, remains supportive of a positive second half. Year to date, the local bond market has delivered solid returns and we can expect a continuation of this positive performance for the rest of 2023.

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The investment fund option for The Manufacturers Life Insurance Company's variable life insurance product is managed by Manulife Investment Management and Trust Corporation.

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