

Peso Target Distribution Fund

An investment fund option for **Affluence Max, Affluence Max Gold, Affluence Builder Series, Horizons** and **FlexiSure** 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 2.45 billion | Fund Currency Philippine peso | Dealing/Valuation Daily |
| Price (NAV/unit) PHP 0.871 | Management Fee 2.25% per annum (of which 0.2% will go to the investment advisor, MAM Hong Kong Ltd.) | Bloomberg Ticker MPPHDIS | |

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

Performance Return (May 31, 2019)

| Peso Target Distribution Fund (net of management fee) | 1 Month | YTD | 1 Year | 3 Years | 5 Years | Since Inception |
|--|---------|-------|--------|---------|---------|-----------------|
| Absolute | 0.83% | 5.25% | 2.46% | -1.03% | -0.68% | 0.96% |
| Annualized | n.a. | n.a. | 2.46% | -0.34% | -0.14% | 0.19% |

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

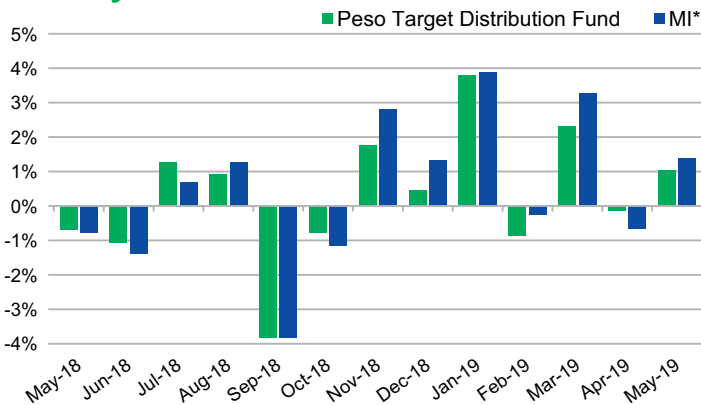


Top Five Holdings

| Bond Pool | | Short-Term Bond Pool | |
|-------------------------------------|-------|-------------------------------------|-------|
| FXTN 03/12/24 | 18.7% | Manulife Stable Income Fund Class I | 32.9% |
| RTB 12/04/22 | 14.8% | RTB 06/13/21 | 17.5% |
| FXTN 01/10/29 | 6.4% | FXTN 03/20/21 | 10.0% |
| FXTN 03/20/21 | 5.7% | FXTN 08/20/20 | 9.2% |
| RTB 06/13/21 | 5.6% | FXTN 01/19/22 | 7.5% |
| Equity Pool | | | |
| Manulife Equity Wealth Fund Class I | 12.7% | SM Prime Holdings | 8.3% |
| SM Investments | 11.4% | BDO Unibank | 8.0% |
| Ayala Land | 9.8% | | |

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

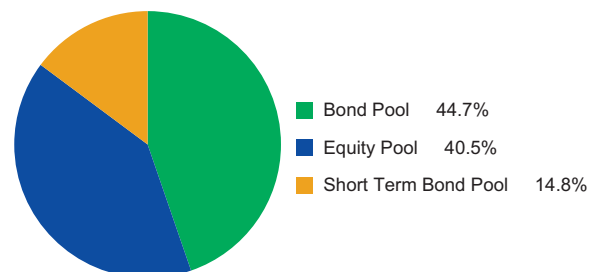
Monthly Performance



*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 Distribution Fund

Market Review

The local stock market index closed at 7,970, only up slightly by 0.22% for the month of May. The first of three tranches of the MSCI rebalancing took effect last May 28. The rebalancing saw the Philippines' country weight reduced to 1.04% from 1.07%. The Philippines saw manageable outflows of only USD12 million during the day of the rebalancing versus the anticipated USD70 million to USD200 million. Positive demand for Philippine stocks from international investors has helped cushion the anticipated outflows, with the Philippines being a domestic-driven economy amidst trade war tensions. First quarter earnings season concluded during the month, with the PSEI showing 18.6% earnings growth year-on-year, coming in-line with expectations. Market valuations have come down to 18.7x P/E from 19.2x last month, and is now trading at par with its 10-year average.

Philippine GDP grew at 5.6% in 1Q19, the slowest growth in four years, and the first quarterly print below 6% in 16 quarters. This growth print was below consensus estimate of 6.0%. The slowdown was due to the delayed enactment of the 2019 budget, which prevented the government from awarding new infrastructure construction contracts. The combination saw capital formation growth decelerate to 6.8%, from 10.3% in 1Q18. Government spending grew 7.4%, sharply slower than the 13.6% growth in 1Q18.

Meanwhile, Philippine inflation continued to slow, falling to 3% in April from 3.3% in March. The latest figure trims average inflation for the year for the 4-month period to 3.6%. Furthermore, the BSP further cuts its 2019 full-year inflation forecast down to 2.9% from 3%, previously. Easing inflation gave the Central Bank some leeway to slash the reserve requirement ratio for banks by 200bps to 16% from 18%, currently. The reduction will be implemented in 3 batches, with the last one by July 2019.

The bond market had a slow start in May despite of very supportive economic numbers and policy easing by the BSP early in the month. April inflation printed at 3% while 1Q GDP growth slowed more than expected to 5.6%. Following the release of these economic numbers, the BSP cut its policy rate by 25bps and announced a 2% phased reduction in the Reserve Requirement Ratio (RRR) to be executed in 3 tranches- 100bps in May, 50bps in June and July, respectively.

Trading picked up in the second half of May, with 10 and 20-year yields declining by up to 25bps. The market finally acknowledged the more dovish stance by the BSP and repositioned for a more bullish environment for the bond market. Indeed, BSP Governor Diokno expressed intent to implement more RRR cuts and welcomed the possibility of further policy rate cuts should inflation continue to trend lower. Furthermore, weak government spending due to the delay in this year's budget approval reduces the supply risk in the market.

Outlook

Following the 2019 midterm elections, we expect the President's legislative agendas to be passed easier. Possible changes to the business environment include lower corporate taxes, deregulation of the sugar industry to allow unimpeded imports, higher taxes on sin products, and liberalization of foreign investments in the utilities sector.

We continue to have a neutral outlook in the near-term. FTSE index rebalancing was just recently announced, with the Philippines expected to see some USD75 million outflows from passive flows by June. While the market lacks a positive catalyst in the near-term, we expect GDP to recover in the following quarters following the passage of the government budget, and should lead to a recovery in spending and infrastructure rollout.

The fund continues to position in names with undemanding valuations and look to rotate out of industries that may be negatively affected by potentially stricter regulations.

Evidencing the strong market sentiment, bond yields continued lower even with the unexpected increase in inflation to 3.2% in May. The market brushed aside the higher inflation print as it was perceived to be a one-off uptick. Base effects would likely pull inflation to sub-3% levels in the coming months. While we subscribe to this optimistic sentiment, we start to become cautious with current levels and will be more opportunistic when entering the market.

The investment fund option for The Manufacturers Life Insurance Company's variable life insurance product is managed by Manulife Asset 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.