

Peso Stable Fund

An investment fund option for variable life insurance products of **The Manufacturers Life Insurance Co., (Phils), Inc.**

Investment Objective

The Fund seeks to achieve long-term growth by investing in government securities and/or high quality corporate debt securities, stocks listed on the Philippine Stock Exchange and/or in pooled fund/s that invest in these securities and other liquid fixed income instruments.

Fund Information

| | | | |
|--------------------------------------|--|---|-----------------------------------|
| Inception Date April 2004 | Fund Size PHP 709.90 million | Fund Currency Philippine peso | Dealing/Valuation Daily |
| Price (NAV/unit) PHP 2.837 | Management Fee 1.75% per annum | Bloomberg Ticker MPPHSTB | |

Performance Return (March 31, 2021)

| Peso Stable Fund (net of management fee) | 1 Month | YTD | 1 Year | 3 Years | 5 Years | Since Inception |
|---|---------|--------|--------|---------|---------|-----------------|
| Absolute | -1.46% | -3.47% | 6.57% | 5.19% | 4.34% | 183.70% |
| Annualized | n.a. | n.a. | 6.57% | 1.70% | 0.85% | 6.33% |

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

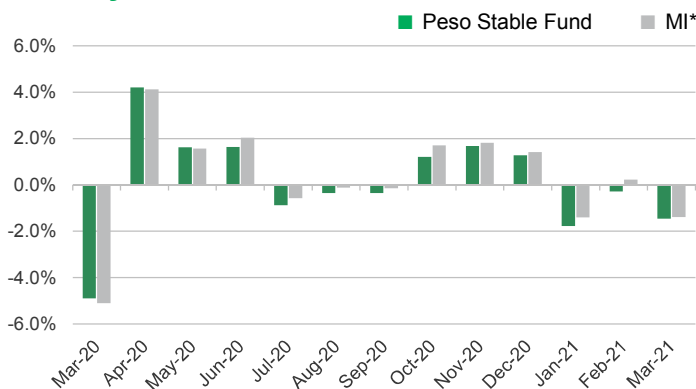


Top Five Holdings

| Bond Pool | | Short-Term Bond Pool | |
|-------------------------------------|--------|-------------------------------------|--------|
| FXTN 08/12/25 | 13.18% | Manulife Stable Income Fund Class I | 38.33% |
| FXTN 02/11/23 | 10.34% | FXTN 02/11/23 | 12.82% |
| RTB 12/04/22 | 8.41% | RTB 12/04/22 | 11.90% |
| FXTN 09/09/25 | 7.22% | FXTN 04/21/23 | 7.44% |
| FXTN 03/12/24 | 6.11% | FXTN 09/10/23 | 5.83% |
| Equity Pool | | | |
| SM INVESTMENTS CORPORATION | | | 15.24% |
| Manulife Equity Wealth Fund Class I | | | 10.48% |
| SM PRIME HOLDINGS INC | | | 9.13% |
| AYALA LAND INC | | | 8.56% |
| AYALA CORPORATION | | | 7.13% |

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

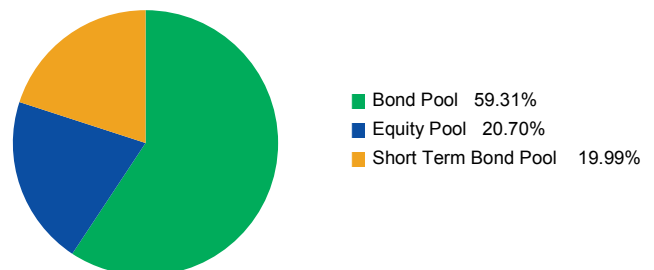
Monthly Performance



*Market Indicator = 20.0% PSEi + 6.0% Markit Iboxx ALBI Philippines Liquid + 54.0% Markit Iboxx ALBI Philippines 1-5 + 20.0% 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 60% Bond Pool and 20% each Short-Term Bond and Equity Pools. The investments of these pools consist of the following:

- 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 Stable Fund

Market Review

The PSEI was down 5.18% MoM to 6,443.09 in March after posting a 2.8% improvement in February. The decline was mostly driven by the higher Covid cases in March and subsequent imposition of Enhanced Community Quarantine (ECQ) in Metro Manila in the last week of the month.

In the last week of March 2021, the average daily Covid cases reached 9k and hospital utilization rate for Covid facilities has gone up. Recall that in the last week of February, the average daily cases was only at 2,000. As a result, the government imposed Enhanced Community Quarantine (ECQ) on Metro Manila plus adjacent provincial areas. The reduction in mobility and stricter quarantine restrictions pushed commercial establishments to close except for essential shops such as supermarket and pharmacies. Non essential travel was restricted resulting to a significant number of flight cancellations during the period.

Meanwhile, the inflation rate last March declined to 4.5% from 4.7% the prior month. The higher than BSP target inflation (2-4%) was due to supply constraints on meat that kept prices elevated (+20% YoY). Note that prices of other food items such as vegetable, fruits and fish continued to be elevated in March. On the other hand crude oil ended at US\$63.50 to a barrel which was lower compared to the peak of US\$70/b during the month. However note that crude oil prices in March was almost two fold of the level in the same month last year. Note that higher input prices would have a negative impact on profitability especially for consumer companies.

The government has passed CREATE bill into law which aims to reduce income tax rates from 30% to 25% for large corporations. The law would also rationalize the incentives given to export oriented industries such as the Business Process Outsourcing (BPOs) segment. Overall, corporates should be able to save on tax expenses from the reduced rate and reinvest the capital that could spur economic recovery.

The escalated number of local Covid cases in March, with daily tally hitting record levels, has led the government to re-impose a lockdown over select areas in the Philippines. With Metro Manila included in the Enhanced Community Quarantine (ECQ) status and representing almost 40% of the Philippines' GDP, private consumption and fixed investments as the main growth drivers will be hampered and delay the expected bounce back to pre-Covid GDP activity. Against this sluggish growth, expectations are for more fiscal stimulus amid a widening deficit attributed to poor tax revenues.

In addition, the risks to accelerating inflation remain as March CPI again overshoot the 4% maximum inflation target range of the Bangko Sentral ng Pilipinas (BSP), printing at 4.5%. The BSP has signaled that inflation print will remain elevated in the first half of the year and forecasts an average of 4.2% for 2021.

Outlook

In our view, an economic recovery for this year is possible. However the rising Covid cases and stricter quarantine on Metro Manila are headwinds we are facing in the near term. Meanwhile, the arrival of vaccine doses in March is a welcome development to improve immunity and reopen more industries in the long run. We continue to prefer cyclical sectors such as consumer discretionary, real estate and financials that are likely to benefit on a recovery thematic.

Amid concerns on the elevated inflation environment, the continued rise in daily Covid cases and supply risk on government debt borrowing, we expect investor preference to remain on the short-end of the curve. Against this backdrop, we prefer to keep a shorter duration positioning vis-a-vis the benchmark in anticipation of a continued steepening of the local yield curve.

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.

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