

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 656.12 million	Fund Currency Philippine peso	Dealing/Valuation Daily
Price (NAV/unit) PHP 2.742	Management Fee 1.75% per annum	Bloomberg Ticker MPPHSTB	

Performance Return (June 30, 2022)

Peso Stable Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-2.49%	-4.86%	-5.64%	-2.00%	1.29%	174.20%
Annualized	n.a.	n.a.	-5.64%	-0.67%	0.26%	5.68%

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

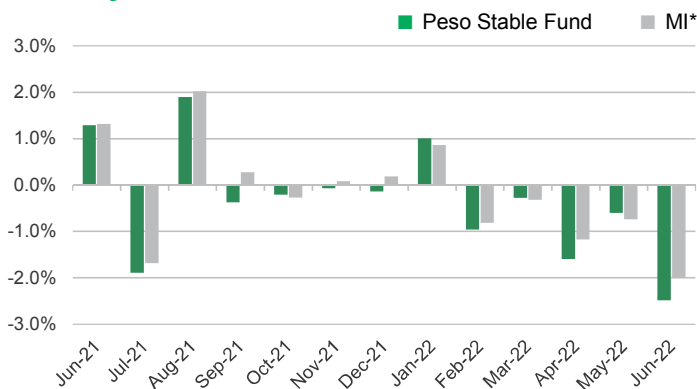


Top Five Holdings

Bond Pool		Short-Term Bond Pool	
FXTN 03/09/24	14.80%	Manulife Stable Income Fund Class I	36.36%
FXTN 08/12/25	14.07%	FXTN 03/09/24	9.20%
FXTN 03/04/27	8.60%	FXTN 03/12/24	5.30%
FXTN 09/09/25	7.47%	FXTN 08/03/22	4.99%
FXTN 03/12/24	7.31%	FXTN 08/17/22	3.99%
Equity Pool			
SM PRIME HOLDINGS INC			11.81%
SM INVESTMENTS CORPORATION			11.09%
Manulife Equity Wealth Fund Class I			9.71%
BANK OF THE PHILIPPINE ISLANDS			7.06%
BDO UNIBANK INC			7.03%

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

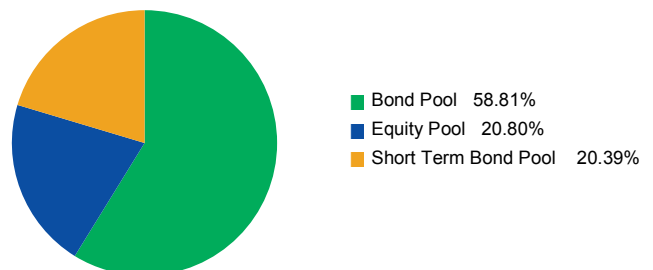
Monthly Performance



*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 Philippine Stock Exchange Index was significantly weak in June, declining by 9% to close at 6,155.43 points. This was driven mostly by concerns over the weakness in the Philippine Peso which reached P55 to the dollar by the end of the month. The local currency further weakened in July breaching P56 to the dollar, a level not seen since 2005. There were other macroeconomic headwinds such as rising inflation and interest rates that further pushed the equities market lower for the period.

Inflation reached 6.1% in June, the highest level since 2018. The increase was driven mostly by transport costs resulting from more expensive crude oil imports. There were also growing concerns over food shortage that brought prices of select food items such as chicken, sugar, and cooking oil prices higher. Meanwhile, the Bangko Sentral ng Pilipinas hiked policy rates by 25bps in June as the recovery of the economy remains underway and partly due to concerns over the rising inflation.

On the positive side, commodity prices softened in the latter part of June due to rising concerns on the health of the global economy. Crude oil prices in June dropped from \$122/barrel to \$115/barrel. Soft commodity prices also declined for the month. Wheat, for example, fell 32% to \$884/bushel during the same period.

In a surprise move, the Philippine Monetary Board raised policy rates last July 14 by 75bps to 3.25% on inflation concerns and the weaker Philippine Peso (Peso). The Bangko Sentral ng Pilipinas (BSP) raised inflation forecast to 5% from 4.6% as June inflation increased to 6.1% from 5.4% in May, driven by high oil and food prices. Transport costs rose due to rising fuel prices and the PHP1 jeepney fare hike in four regions of the country. The African Swine Flu continues to affect meat prices while upticks in prices of sugar, flour, and edible oils were also observed. The hawkishness of US Fed, coupled with our widening current account deficit, weighed on the Peso. The Peso sharply depreciated the past few weeks, breaking the 56 level, which probably led to the unexpected rate hike by the BSP. This shift to a more aggressive stance by BSP may open room for another rate hike at the August MB meeting as BSP Governor Medalla commits to take further actions to lead inflation towards its target range of 2-4%.

Outlook

We remain generally cautious on the Philippine equity market as macroeconomic headwinds highlighted above such as weak currency, high inflation, and rising interest rate environment are still prevalent. However, the sharp drop in equities market has pushed valuations to a decade low with its forward price to earnings already at 12x. We are also seeing some green shoots with the recent decline in global commodity prices which could help ease the rise in inflation.

Against the backdrop of the inflation outlook, an aggressive US Fed, weakening currency and the government's large borrowing needs, we are cautious on the local bonds and will continue to keep a shorter duration vis-à-vis the benchmark.

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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