

Peso Stable Fund

An investment fund option for **Affluence**, **Affluence Gold** and **Affluence Builder** 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 761.01 million | Fund Currency Philippine peso | Dealing/Valuation Daily |
| Price (NAV/unit) PHP 2.863 | Management Fee 1.75% per annum | Bloomberg Ticker MPPHSTB | |

Performance Return (August 31, 2019)

| Peso Stable Fund (net of management fee) | 1 Month | YTD | 1 Year | 3 Years | 5 Years | Since Inception |
|--|---------|--------|--------|---------|---------|-----------------|
| Absolute | 1.02% | 10.16% | 7.07% | 0.32% | 8.20% | 186.30% |
| Annualized | n.a. | n.a. | 7.07% | 0.11% | 1.59% | 7.06% |

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

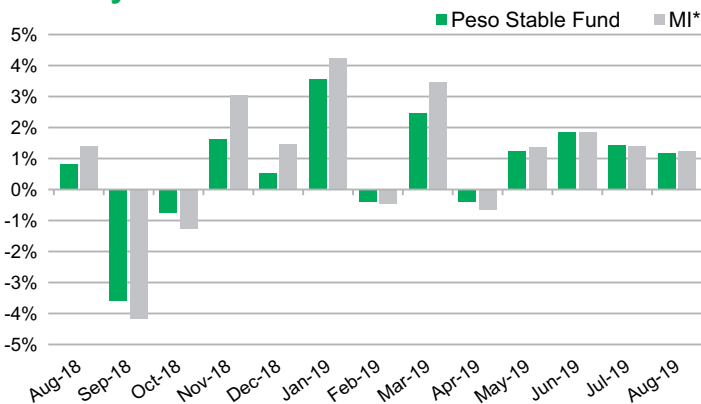


Top Five Holdings

| Bond Pool | | Short-Term Bond Pool | |
|--------------------------------------|-------|-------------------------------------|-------|
| FXTN 03/12/24 | 19.2% | Manulife Stable Income Fund Class I | 34.3% |
| RTB 12/04/22 | 15.1% | FXTN 01/26/22 | 19.3% |
| RTB 06/13/21 | 6.5% | RTB 06/13/21 | 15.1% |
| FXTN 04/21/23 | 6.1% | FXTN 01/19/22 | 12.2% |
| Manulife Income Builder Fund Class I | 5.4% | FXTN 03/20/21 | 6.0% |
| Equity Pool | | | |
| Manulife Equity Wealth Fund Class I | 12.4% | BDO Unibank | 8.4% |
| SM Investments | 11.9% | Ayala Corporation | 7.6% |
| Ayala Land | 9.0% | | |

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

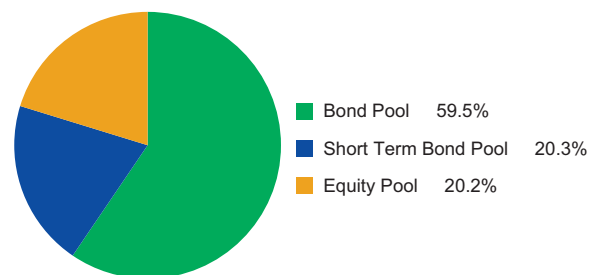
Monthly Performance



*Market Indicator = 60% Markit iBoxx ALBI Philippines Liquid Index + 20% Markit iBoxx ALBI Philippines 1-3 Index + 20% PSEI

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 local stock market index closed at 7,980, down 0.8% for the month of August. US-China trade tensions escalated with the US imposing a 10% tariff on additional US\$300bn worth of imports from China effective September 1, in which China responded by weakening the Yuan and threatened to cease imports of US agriculture products. Locally, the effect of the 2019 budget impasse and ban on government spending during mid-term election continued to impact economic growth in 2Q19 with a 5.5% YoY growth versus 1Q19s 5.6%. Meanwhile, inflation fell further to 2.4% YoY in July from 2.7% in June, in line with expectations. From a so-called prudent pause in June, BSP makes a pre-emptive move and cut another 25bps on its policy rate, bringing it down to 4.25%, on assessment that prospects for global economic activity are likely to remain weak amid sustained trade tensions among major economies. The latest monetary action came after surprise cuts from New Zealand, India, and Thailand the day before the Philippine central bank meeting. BSP's policy cut was a welcome move given sustained easing inflation and 2Q19 GDP that grew sub-6% for the second consecutive quarter. Lastly, the second quarter earnings season came to a close, with PSEI earnings showing robust growth of 16% compared to the same period last year, in line with market expectations.

Growing concerns on the global economy moving into recession territory has been exacerbated with the yield curve inversion of the 10-year US Treasury (UST) falling lower than 2-year UST, prompting select Emerging Market outflows from foreign fund managers. While the reciprocation of additional tariffs between the US and China continues, a quick solution seems unlikely and global risk-off sentiment may govern in the near term. On the local front, statements from the Bangko Sentral ng Pilipinas (BSP) include a dovish tilt that reinforces both a policy and reserve requirement ratio (RRR) cut before the end of 2019.

Outlook

We have turned a bit more cautious on the market due to global growth worries. Negative sentiment can impact the market despite strong local macro as investors de-risk due to global growth concerns. Furthermore, the stocks in the property sector were sold off after the Chinese government indicated its desire for the Philippines to ban all online gambling. Gaming agency PAGCOR revealed that it would not be accepting any new POGO applications in response to statements made by the Chinese embassy in Manila.

The portfolio will continue to prefer positions in names with firm fundamentals, and avoid stocks that are more exposed to the global economy, as well as Chinese demand-driven sectors due to possible policy changes.

Against this backdrop, peso bond yields trended lower for August as buying activity continued for the local bond market. Amid expectations of the Philippine inflation to continue its downtrend, with August CPI hitting south of 2% (printed at 1.7%) due to base effects, there may be room for bond yields to trend lower. In this environment, we will maintain the longer duration positioning as we anticipate additional policy and RRR cuts from the BSP in the coming months.

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.