

Peso Diversified Value 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 2009	Fund Size PHP 4.95 billion	Fund Currency Philippine peso	Dealing/Valuation Daily
Price (NAV/unit) PHP 1.947	Management Fee 2.00% per annum	Bloomberg Ticker MPPHDVF	

Performance Return (December 31, 2024)

Peso Diversified Value Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.56%	3.02%	3.02%	2.20%	2.58%	94.70%
Annualized	n.a.	n.a.	3.02%	0.73%	0.51%	4.33%

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

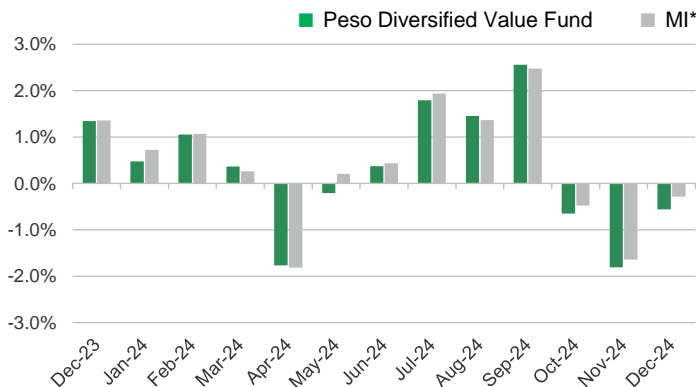


Top Five Holdings

Bond Pool		Short-Term Bond Pool	
Manulife Income Builder Fund Class I	6.25%	Manulife Stable Income Fund Class I	40.93%
FXTN 07/19/31	6.17%	Manulife Money Market Fund Class I	10.87%
FXTN 02/28/29	6.03%	FXTN 04/08/26	6.85%
FXTN 09/15/32	5.87%	FXTN 03/04/27	6.32%
FXTN 03/04/27	5.11%	FXTN 02/28/29	5.90%
Equity Pool			
SM INVESTMENTS CORPORATION			14.41%
INTERNATIONAL CONTAINER TERMINAL SERVICES INC			10.86%
Manulife Equity Wealth Fund Class I			9.56%
BANK OF THE PHILIPPINE ISLANDS			8.58%
BDO UNIBANK INC			8.37%

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

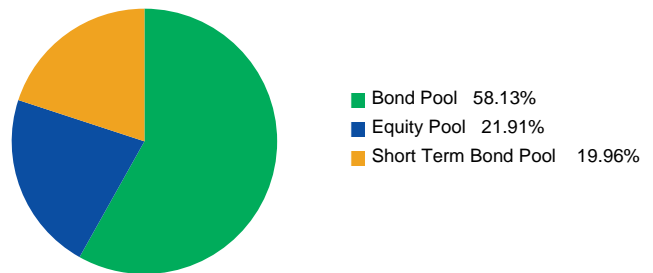
Monthly Performance



* Market Indicator = 20.0% PSEi + 57.0% BBG Philippine Sov Bond Agg Net Tax Formula + 3.0% Philippines 91 Day T-Bill Auction Avg Yield 20% WHT + 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 Diversified Value Fund

Market Review

In December, the Philippine Stock Exchange Index (PSEi) fell by 1.04%, bringing the year-to-date return to 4.1%. By the end of 2024, the PSEi closed at 6,528.79. This weakness can be attributed to several concerns, including aggressive U.S. policies and a potentially less optimistic outlook for rate cuts. Additional pressures included a 1.4% depreciation of the peso in December, bringing the full-year depreciation to 4.24%, and a rise in U.S. 10-year Treasury yields to as high as 4.8%, up from 3.6% in September. Investor repositioning ahead of 2025, influenced by changing interest rate expectations, also led to underperformance in interest rate-sensitive sectors like property and financials.

In December, inflation increased to 2.9% year-on-year, up from 2.5% in November. Food prices rose by 3.4% year-on-year, while housing and utilities increased by 2.9%. Notably, rice prices continued to decrease in the latter part of 2024, likely due to lower international rice prices. This decline followed an average increase of 23% from the start of 2024 to the end of the first half. On the monetary policy front, the Bangko Sentral ng Pilipinas continued to cut policy rates by another 25 basis points to 5.75% on December 19.

Governor Remolona stated that he expects further rate cuts in 2025, potentially as early as the first quarter.

The bond market had a rough start in 2024, with both U.S. and local yields peaking in April as stronger-than-expected economic data in the U.S. and geopolitical tensions in the Middle East triggered a massive sell-off. Upward surprises in U.S. payrolls and inflation figures in the U.S. during the first quarter led to a drastic adjustment in Federal Reserve (Fed) 2024 rate cut expectations from 150bps at the start of the year to just 25bps by April, sending U.S. 10-year yields almost 70bps higher in the first four months of the year. Negative sentiment in global bond markets, along with accelerating domestic inflation in the first half of the year and huge supply from the Bureau of Treasury's issuance of five-year Retail Treasury Bonds, created a perfect storm for the local bond market, pushing yields up by over 100bps in some tenors.

Outlook for the local bond market turned brighter in the second half of the year following the government's issuance of Executive Order (EO) 62, which covers the reduction of import duty on rice from 35% to 15% until 2028, as well as on a few other commodities. The domestic inflation rate finally peaked in July and managed to stay within the Bangko Sentral ng Pilipinas' (BSP)'s target range of 2-4% for the rest of the year, averaging at 3.2% for 2024. With a more benign inflation outlook and Fed rate cuts back in focus, a strong rally in the bond market ensued until the end of the third quarter, bringing yields over 100bps lower and reversing losses incurred earlier in the year. Both the Fed and the BSP were finally able to begin easing monetary policy, cutting by a total of 100bps to 4-4.5% and 75bps to 5.75%, respectively, in the second half of the year. In addition, the BSP also reduced the Reserve Requirement Ratio for universal and commercial banks by 250bps, effectively releasing over P300b in additional liquidity to the financial system. The BSP's focus shifted to stimulating economic growth, which was dampened by years of high inflation and adverse weather conditions. Unfortunately, October marks the end of the five-month rally as the market shifted its focus to the U.S. elections. Yields ended higher for the year as President-elect Donald Trump's subsequent victory sparked anxiety over uncertainties in economic and monetary policy in 2025 and beyond.

Outlook

We expect the market to trade sideways to lower in the first quarter of 2025 due to a lack of catalysts. Key developments to watch include consumer spending trends and the impact of upcoming local mid-term elections, which may support weak market sentiment. Currently, the PSEi is trading at a P/E ratio of around 10x, presenting potential buying opportunities at lower levels.

We expect Fed policy to remain center stage in global macroeconomic developments and will continue to drive the local market in 2025. U.S. and local yields will likely stay elevated and volatile in the short-term as markets price in fewer Fed cuts this year in anticipation of policy uncertainties under a Trump regime.

Nevertheless, some weakness in U.S. data should eventually shift the focus back on monetary easing and cap the rise in U.S. yields, especially as they approach two-year highs. The significant rise in yields over the past three months may offer a good buying opportunity for long-term investors, especially as our outlook on inflation remains benign. We expect inflation to stay within the BSP's target range and growth to be supported by a benign inflation environment. Key inflationary risks to monitor include a weaker currency and possible upward adjustments in transport fares and electricity rates.

Peso Diversified Value Fund

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