

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 4.45 billion	Fund Currency Philippine peso	Dealing/Valuation Daily
Price (NAV/unit) PHP 1.790	Management Fee 2.00% per annum	Bloomberg Ticker MPPHDVF	

Performance Return (October 31, 2022)

Peso Diversified Value Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	0.39%	-6.04%	-6.28%	-5.44%	-1.97%	79.00%
Annualized	n.a.	n.a.	-6.28%	-1.85%	-0.40%	4.39%

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

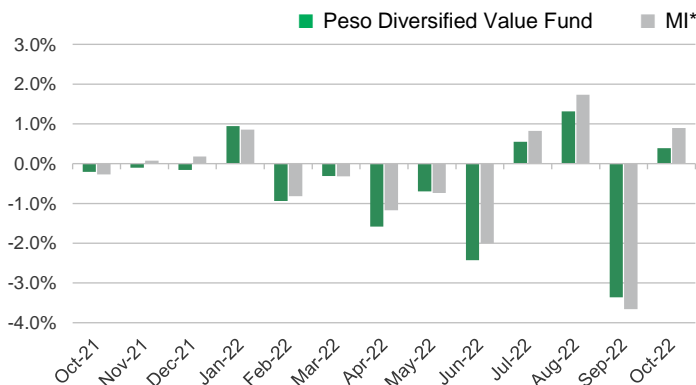


Top Five Holdings

Bond Pool		Short-Term Bond Pool	
FXTN 03/04/27	15.15%	Manulife Stable Income Fund Class I	35.29%
FXTN 08/12/25	13.61%	FXTN 03/09/24	7.59%
FXTN 04/08/26	7.63%	FXTN 08/12/25	7.46%
FXTN 09/09/25	7.58%	FXTN 03/12/24	5.04%
FXTN 03/09/24	7.20%	FXTN 10/17/24	2.67%
Equity Pool			
SM INVESTMENTS CORPORATION			11.54%
SM PRIME HOLDINGS INC			9.60%
Manulife Equity Wealth Fund Class I			9.45%
BDO UNIBANK INC			7.50%
BANK OF THE PHILIPPINE ISLANDS			7.29%

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

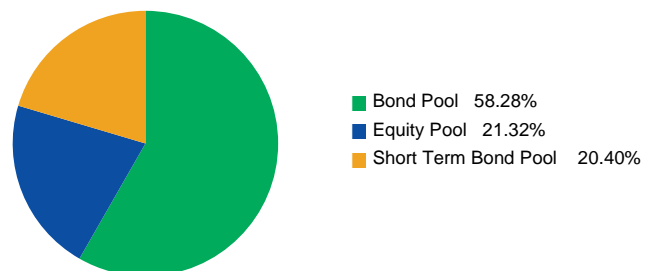
Monthly Performance



*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 Diversified Value Fund

Market Review

The Philippine Stock Equity index (PSEi) was up 7% in October, reaching 6,153 as the market rallied with investors bargain hunting from the lows in September. The contraction in global economic growth has renewed optimism that the rising rate cycle is nearing its peak. Meanwhile, the Philippine Peso strengthened during the month after comments from the government that they will defend the local currency.

September inflation accelerated to 6.9% from 6.3% the prior month, at par in terms of street expectations. Higher inflation was driven mostly by higher oil and food prices compared to last year. Meanwhile the Bangko Sentral ng Pilipinas has signaled that they will raise interest rates by 75bps during their November meeting, mirroring the recent 75bps interest rate hike by the US Federal Reserve. The move lends support to the Philippine Peso which hovered closely to the Php 59/\$1 level for the most part of October before strengthening closer to the Php58/\$1 level.

OFW remittances continue to be stable in August, growing by 3% compared to the same period last year. Coupled with the depreciation of the Philippine Peso, this provides a significant boon to domestic consumer spending amidst the high inflation environment.

There are increasing concerns over the power supply output in the Philippines. The Department of Energy mentioned that supply could be inadequate in the first half of 2023, implying potential blackouts. Meanwhile, energy spot prices (WESM) steadily increased for the past couple of months due to demand outpacing supply.

Yields continued to rise across the curve led by bonds with maturities 5 years and shorter as the market continues to price in more hikes from the Bangko Sentral ng Pilipinas (BSP). With the Philippine Peso having depreciated by more than 12% year to date, turning it into one of the worst performing currencies in Asia, the government has been vocal about its concerns over the weakness of the local currency. To prevent the currency from deteriorating further, local interest rates must offer a healthy premium over U.S. interest rates, given the different credit profiles of the two countries. While the ideal size of that premium is subject to lengthy debate, we know that it has narrowed from over 180bps before the Federal Reserve's (Fed) began its tightening cycle this year to less than 40bps after the Fed's 75bps hike in the first week of November. Consequently, we can expect the BSP to follow the size of the hikes of the Fed and to hike by 75bps this month, especially as local inflation continues to rise.

Outlook

We have a neutral view on Philippine Equities as attractive valuations are mitigated by concerns over global economic slowdown, rising interest rate environment, and weak local currency. Currently, the Philippine Equity Index is trading at only around 13x forward price to earnings, a discount to historical average of around 15x. We also continue to be optimistic that the positive earnings results from 2Q22 will be sustained in 3Q22 as evidenced by strong BPI and WLCON figures. However, what tempers our outlook is the continued weakness of the Philippine Peso, high inflation, and the upward pressure on interest rates.

Looking ahead, with the Fed signaling another 50bps of hike before we end the year, we can expect the bond market yields to continue with an upside bias in the coming months. That said, we have been seeing some bottom-picking in the market during bond auctions as yields become increasingly attractive. The last time we saw 10-year yields above 7% was late-2018 where it hit a high of 8%. We may not have seen the peak of interest rates just yet, but those with an investment horizon of a year or longer may start giving this market a second look.

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.

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