

# Peso Diversified Value Fund

An investment fund option for **Affluence Max**, **Affluence Max Gold**, **Affluence Builder Series**, **Horizons** and **FlexiSure** 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

<b>Inception Date</b> April 2009	<b>Fund Size</b> PHP 4.26 billion	<b>Fund Currency</b> Philippine peso	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> PHP 1.895	<b>Management Fee</b> 2.00% per annum	<b>Bloomberg Ticker</b> MPPHDVF	

## Performance Return (August 31, 2019)

Peso Diversified Value Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	1.07%	10.37%	7.06%	-0.05%	7.18%	89.50%
Annualized	n.a.	n.a.	7.06%	-0.02%	1.40%	6.35%

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

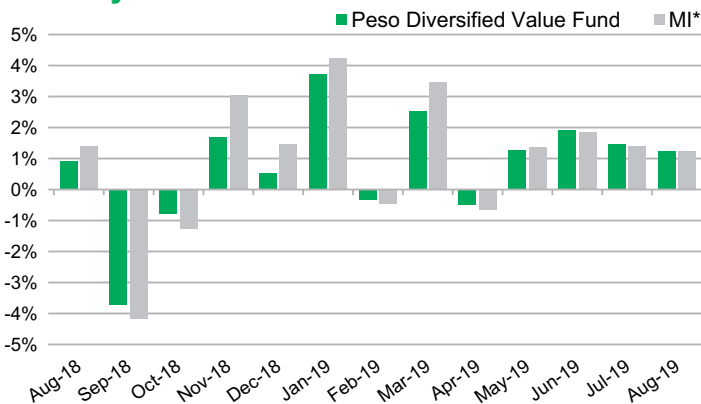


## Top Five Holdings

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

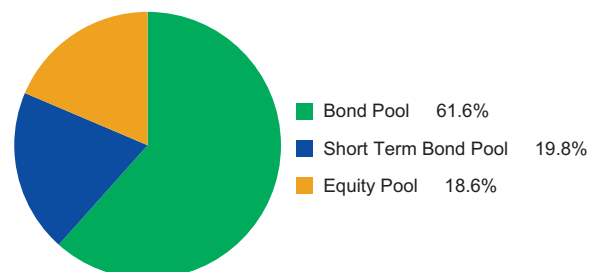
## Monthly Performance



\*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 Diversified Value 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.

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