

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

Inception Date April 2009	Fund Size PHP 4.14 billion	Fund Currency Philippine peso	Dealing/Valuation Daily
Price (NAV/unit) PHP 1.855	Management Fee 2.00% per annum	Bloomberg Ticker MPPHDVF	

Performance Return (February 29, 2020)

Peso Diversified Value Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.22%	-2.27%	4.86%	3.98%	0.16%	85.50%
Annualized	n.a.	n.a.	4.86%	1.31%	0.03%	5.85%

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

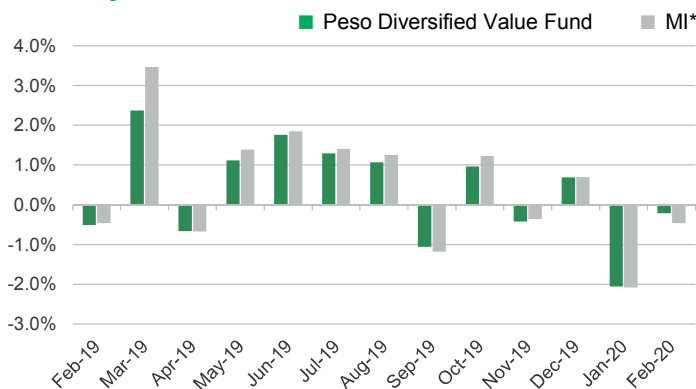


Top Five Holdings

Bond Pool		Short-Term Bond Pool	
FXTN 03/12/24	15.51%	Manulife Stable Income Fund Class I	32.86%
RTB 12/04/22	15.35%	RTB 12/04/22	11.50%
Manulife Income Builder Fund Class I	5.42%	FXTN 02/11/23	10.74%
RTB 06/13/21	5.06%	FXTN 07/04/22	9.75%
FXTN 03/08/23	4.68%	RTB 06/13/21	9.62%
Equity Pool			
SM INVESTMENTS CORPORATION			14.53%
Manulife Equity Wealth Fund Class I			12.04%
SM PRIME HOLDINGS INC			10.21%
AYALA LAND INC			8.40%
BDO UNIBANK INC			7.83%

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

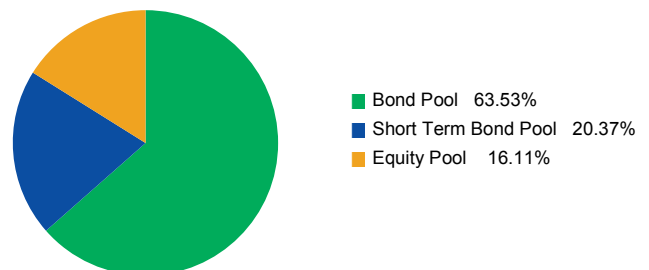
Monthly Performance



*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 market index (PSEI) dropped 5.7% to 6,788 in February. The PSEI followed global markets downwards during the latter parts of the month due to the rising number of new COVID-19 cases outside of China. The virus, along with the Chinese clampdown on its citizens working for the Philippine Offshore Gaming Operator (POGO) industry, continued to dominate sentiment and drove the market downwards below 7,000 after briefly hitting 7,500 earlier during the month.

The negative impact from COVID-19 continues to escalate despite minimal cases in the country. International arrivals have fallen almost 17% since late January, while aircraft movements are down 22%. Even mall operators indicated slower foot traffic in their establishments by around 5% to 20%.

The Chinese embassy spokesperson for the Philippines said the Chinese government is cracking down on cross-border telecommunication fraud crimes, specifically online games operating out of the Philippines and serving gamblers in the mainland where gambling is illegal. Sanctions include canceling the passports of Chinese citizens working in POGOs and seizure of their bank accounts and properties, among others. POGOs take up a total of 11% of office space in Metro Manila, and led to the massive appreciation in property prices over the last several years.

January inflation rose to 2.9% from December's 2.5% and came in higher than expectations. Food and beverage prices picked up, as did alcoholic beverages and tobacco with the implementation of the next round of excise taxes. The monthly figure remained to be within the government's 2% to 4% target range despite the Taal volcano eruption, giving the Central Bank sufficient confidence to cut its policy rates by 25bps to 3.75%.

The escalation of the COVID 19 outbreak on global growth and sentiment is worse than anticipated. The market is pricing in a 25bps-cut as early as April from the US Federal Reserve, as the ten-year US Treasury bond hit an all-time low of 1.03%. Against this backdrop, local bond yields have rallied an average of 17bps for the month of February as investors increase their exposure to peso bonds in anticipation of another rate cut within the first half of 2020.

Outlook

Market sentiment will likely continue to be negative in the near-term given the accelerating infection rate outside of China, dampening global growth outlook. Meanwhile, China's clampdown on Chinese nationals working for POGOs may result to significantly lower property prices for both residential and office spaces. Nonetheless, the Philippine economy's reliance on domestic factors should continue to make it more resilient relative to other more trade-focused economies in the region.

Although the Philippines has seen limited cases of the virus, we remain vigilant on the potential impact to the economy and the portfolio if the COVID-19 outbreak escalates further. While we do not see any long-term impact to the economy due to the virus, the Philippines will likely see a slower first quarter growth due to its impact on tourism, which accounts for roughly 13% of GDP. Amidst significant market volatility, the portfolio will look to accumulate stocks that are displaying deep discount to fair values while remaining underweight in names with material exposure in tourism-related and POGO industries.

The Philippine economy is expected to be more resilient relative to our Asian peers as government expenditure continues to provide a boost to spending. In light of this, the Bangko Sentral ng Pilipinas (BSP) has noted a possibility of more than a 25bps cut in the next few 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.

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