

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 4.20 billion	Fund Currency Philippine peso	Dealing/Valuation Daily
Price (NAV/unit) PHP 1.851	Management Fee 2.00% per annum	Bloomberg Ticker MPPHDVF	

Performance Return (June 30, 2019)

Peso Diversified Value Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	1.76%	7.80%	6.56%	-1.44%	4.99%	85.10%
Annualized	n.a.	n.a.	6.56%	-0.48%	0.98%	6.22%

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

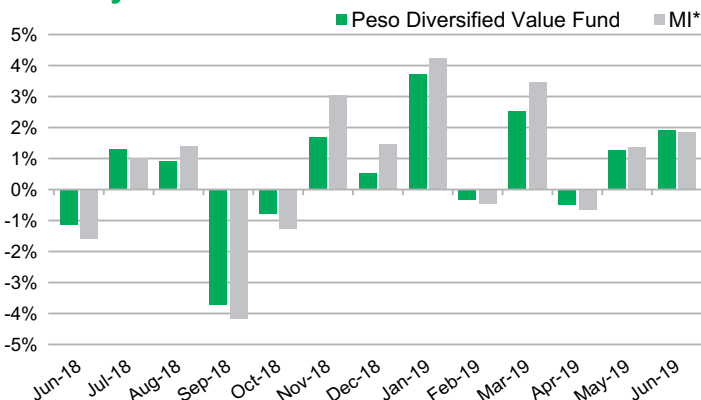


Top Five Holdings

Bond Pool		Short-Term Bond Pool	
FXTN 03/12/24	17.4%	Manulife Stable Income Fund Class I	33.3%
RTB 12/04/22	14.1%	RTB 06/13/21	16.0%
FXTN 01/10/29	7.0%	FXTN 01/26/22	12.7%
FXTN 08/20/20	6.1%	FXTN 01/19/22	12.0%
RTB 06/13/21	5.8%	FXTN 03/20/21	10.1%
Equity Pool			
Manulife Equity Wealth Fund Class I	12.6%	BDO Unibank	8.1%
SM Investments	11.3%	SM Prime Holdings	7.3%
Ayala Land	9.9%		

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

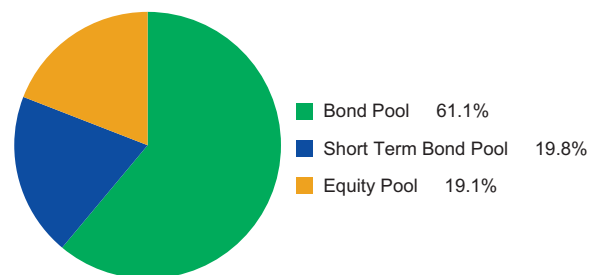
Monthly Performance



*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 7,999, up 0.4% for June. The month started off strongly on follow through buying on property names after last month's implementation of the first round of reserve requirement cuts and Fitch's reiteration of the country's BBB credit rating and stable outlook. However, a couple of secondary share placements, along with accelerating trade war tensions and renewed global growth concerns, brought markets lower from the month's high. Foreign outflows of only USD3 million from this month's FTSE rebalancing were significantly lower than initial expectations of USD47 million, signaling strong demand for Philippine equities from foreign investors. Market valuations inched higher to 19.4x P/E from last month's 19.3x.

On the macro front, inflation figures ticked up slightly to 3.2%. This is higher than the expected 2.9% print and last month's 3%, but still lies comfortably within the BSP's estimated 2.8-3.6% estimate. Average inflation for the year now stands at 3.5%. The BSP is forecasting inflation to continue to drop in 2019 with an estimated average of 2.9%. The uptick in consumer prices was primarily due to higher transportation prices, as well as the increases in vegetable prices which were up 12.5% as a result of the severe dry season. As such, the BSP opted to be more prudent and kept policy rates steady at 4.5%.

Meanwhile, the bond market started strong in June in spite of the unexpected uptick in the inflation figure for May. The market brushed aside the higher inflation print as it was perceived to be a one-off uptick. Yields fell as much as 40-50bps for the month, with 10-year yield testing the 5% level for the first time in over a year.

Yields were quite volatile with a short-lived sell-off after the Bureau of Treasury (BTr) accepted higher-than-expected bid yields at the 20-year auction and unexpectedly maintained the size of its bi-monthly FXTN auctions at PhP20 billion in its borrowing schedule for 3Q. The market was expecting a reduction in government borrowing due to the delay in the implementation of this year's government budget. However, the reduction in monthly auction size was made only on Treasury bills. Nevertheless, the month ended with bond yields near lows as the market continues to expect a dovish BSP stance and as the previously-announced 50bps reduction in the Reserve Requirement Ratio (RRR) released fresh liquidity into the market at the end of the month. The BSP kept policy rate steady at 4.5% in its June 20 meeting and revised inflation forecast for 2019 from 2.9% to 2.7% and for 2020 from 3.1% to 3%.

Outlook

We continue to have a neutral outlook for Philippine equities. Investors will look to second quarter earnings, which should come out starting next month, for market direction. Meanwhile, global market developments, particularly on the US-China trade debacle, will likely lead to heightened market volatility in the near-term. On a more positive note, declining bond yields may eventually lead to an equities market re-rating, with 10-year yields nearing 5% levels from as high as 8% during the second half of 2018.

With the market continuing to trade within a range of 7,500-8,200, the fund looks to be more opportunistic in its positioning, opting to be more active in rotating out of names which have already gone up and into market laggards. The fund is also starting to build positions in names with improving fundamental stories later in the fourth quarter and 2020.

Looking ahead, we continue to be optimistic in the bond market as we expect inflation to trend lower, with base effects likely keeping inflation at sub-3% levels in the coming months. Latest inflation print for June was at 2.7%, substantially lower than May's 3.2% figure. Market sentiment will also benefit from the truce reached during the recent G20 meeting between the US and China, easing trade war concerns in the short-term. However, we are mindful of the large decline in yields year to date and remain opportunistic when entering the market.

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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