

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 4.29 billion	Fund Currency Philippine peso	Dealing/Valuation Daily
Price (NAV/unit) PHP 1.901	Management Fee 2.00% per annum	Bloomberg Ticker MPPHDVF	

Performance Return (June 30, 2020)

Peso Diversified Value Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	1.55%	0.16%	2.70%	5.79%	4.16%	90.10%
Annualized	n.a.	n.a.	2.70%	1.89%	0.82%	5.90%

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

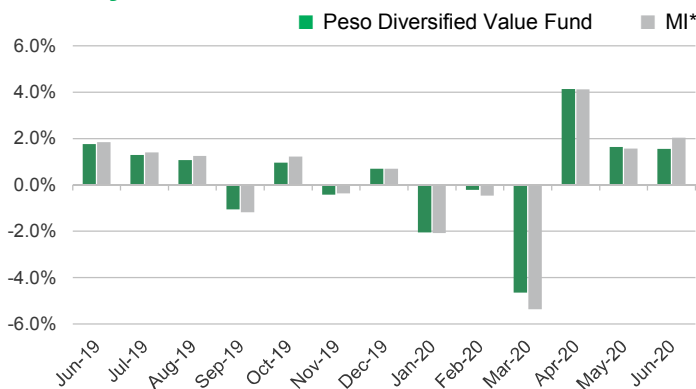


Top Five Holdings

Bond Pool		Short-Term Bond Pool	
FXTN 03/12/24	14.58%	Manulife Stable Income Fund Class I	33.73%
RTB 12/04/22	13.99%	FXTN 02/11/23	15.47%
FXTN 02/11/23	13.96%	RTB 12/04/22	15.43%
FXTN 04/21/23	5.61%	FXTN 04/21/23	7.51%
Manulife Income Builder Fund Class I	5.52%	FXTN 07/04/22	7.07%
Equity Pool			
SM INVESTMENTS CORPORATION			15.21%
Manulife Equity Wealth Fund Class I			11.57%
SM PRIME HOLDINGS INC			9.27%
AYALA LAND INC			7.56%
AYALA CORPORATION			6.09%

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

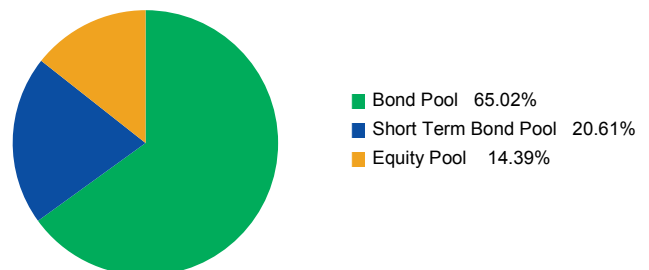
Monthly Performance



*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) closed June at 6,208, up 6.3% for the month. The market move was attributable to a series of positive news flow both local and abroad. Locally, Metro Manila loosened its quarantine restrictions from a Modified Enhance Community Quarantine (MECQ) to General Community Quarantine (GCQ), while Cebu City was reverted back to the strictest ECQ restrictions as public transportation are allowed to operate but at limited capacities. Restaurant dine-in services are now allowed but with 30% capacity limits as well. In the United States, jobs and retail sales data came in stronger-than-expected. The US Fed also boosted monetary support via additional asset purchases, which now includes corporate bonds.

In an unexpected move, the BSP lowered policy rates by another 50bps to 2.25%. BSP Governor Diokno said the cuts are necessary to boost the economy and market confidence. For the year, the BSP has already cut 175bps in policy rates. Meanwhile, inflation eased to 2.1% YoY in May from 2.2% in April, bringing the year-to-date inflation figure to 2.5%.

In the corporate front, two local banks were implicated in a financial accounting scandal involving a German payments company which is centered on a missing sum of EUR1.9Bn. Both banks denied the allegations and said that the missing funds never entered the Philippines.

The first three weeks of June saw bond yields move higher as supply risks dominate the market amid news of a possible retail treasury bond (RTB) issuance. The Monetary Board meeting held June 25 brought a huge surprise as the Bangko Sentral ng Pilipinas (BSP) announced a 50bps rate cut. Governor Diokno noted that the reduction in policy rates was a preemptive move amid a weak global growth view. A strong rally ensued following the cut, erasing the uptick in local bond yields for the month.

Outlook

As the economy continues to reopen and adjust towards a new normal, we expect cyclical linked sectors to take the front seat in terms of performance recovery for the remainder of the year. Our outlook for the market is still neutral as we expect heightened market volatility to remain as 2Q20 earnings downgrades continue to remain a possibility, having felt the blunt of the lockdown period. However, we are encouraged to see early signs of economic recovery through some leading economic indicators like electricity demand and auto sales which have been slowly picking up during the GCQ period. We are starting to look at opportunities in the more cyclical sectors like industrials and consumer discretionary that offer growth should the recovery pick up pace in the succeeding quarters.

Bond yields have trended lower an average of 30bps following BSP's move, but additional downside may be limited given recent rhetoric from the BSP. In addition, the longer dated bond issuances (7 and 10 years) scheduled for July and the potential RTB supply continue to dampen investor sentiment. Against a backdrop of increasing local Covid-19 cases and a possible lifting of the lock-down restrictions on Metro Manila, investors are cautious amid the numerous uncertainties in the market. The funds are positioned with a neutral duration relative to the benchmark to withstand possible volatility in the bond 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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