

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 1.872	Management Fee 2.00% per annum	Bloomberg Ticker MPPHDVF	

Performance Return (May 31, 2020)

Peso Diversified Value Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	1.63%	-1.37%	2.91%	4.46%	2.46%	87.20%
Annualized	n.a.	n.a.	2.91%	1.47%	0.49%	5.80%

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

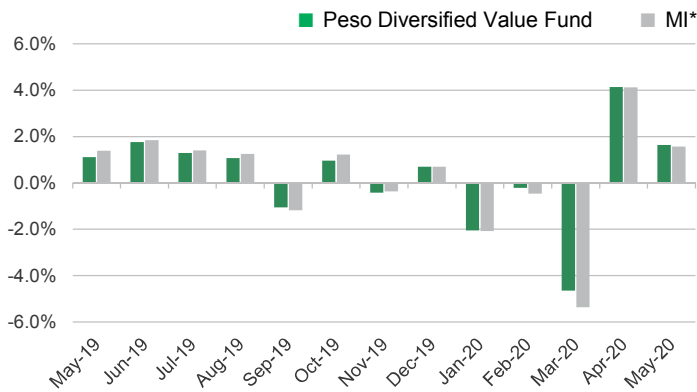


Top Five Holdings

Bond Pool		Short-Term Bond Pool	
RTB 12/04/22	14.03%	Manulife Stable Income Fund Class I	32.82%
FXTN 02/11/23	14.00%	FXTN 02/11/23	16.66%
FXTN 03/12/24	13.69%	RTB 12/04/22	15.11%
Manulife Income Builder Fund Class I	5.51%	FXTN 07/04/22	7.58%
FXTN 03/08/23	5.13%	RTB 06/13/21	6.01%
Equity Pool			
SM INVESTMENTS CORPORATION			15.78%
Manulife Equity Wealth Fund Class I			11.75%
SM PRIME HOLDINGS INC			9.31%
AYALA LAND INC			7.43%
AYALA CORPORATION			6.02%

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

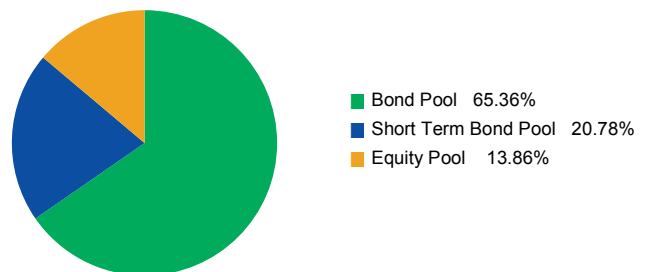
Monthly Performance



*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

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Market Review

The Philippine stock market index (PSEi) closed at 5,839 in May, up 2.4% for the month. The market trended higher on renewed optimism for the economy with most of the country transitioning to GCQ (General Community Quarantine) by June 1 from MECQ (Modified Enhanced Community Quarantine), which was implemented beginning May 15. Under the GCQ, more sectors and industries will be allowed to reopen as the government looks to revive the economy amid the Covid-19 pandemic. The move to ease restrictions comes despite the resurgence of daily additional cases of COVID-19 since the loosening of the lockdown in mid-May. The country recorded more than 1,000 new cases on May 30, the highest spike in a day so far, despite months in lockdown.

The Philippines recorded its first economic contraction since 1998 with Covid-19 tagged as the main culprit. Philippine GDP shrunk by -0.2% in Q1 as the lockdown that started in March 17 limited economic activity. Meanwhile, the first quarter earnings season is nearing completion where the PSEI has so far posted a 24% decline in earnings. Companies have unanimously guided for a more cautious outlook for the remainder of the year, and are looking to cut capital expenditure plans in the near-term following the impact of COVID-19. Q2 growth figures for both the economy and corporate earnings are widely expected to be worse than Q1 with the bulk of the quarter under lockdown.

The House of Representatives recently approved a P1.3-trillion economic stimulus package that aims to help industries affected by the coronavirus crisis. Under the proposal, Php650 billion will go to the government's flagship infrastructure program for three years beginning 2021. These will involve building new facilities for health, food security and education. Bulk of the remaining budget will be allocated for wage subsidies and loans to support SMEs, as well as job creation support.

The Philippine local bond market performed quite well in May as bond levels have dropped to levels last seen in 2016, reacting to the unprecedented measures taken by the Bangko Sentral ng Pilipinas (BSP) amid the Covid 19 pandemic. Following the total 125bps policy cut since the start of 2020, the BSP reiterated that it is open to additional policy rate cuts, which may already have been partially priced in by current bond levels.

Amid an environment of optimism seen globally as numerous countries are able to contain the spread of Covid 19, the Philippines has transitioned most of the major cities, including the greater Metro Manila, to a more relaxed General Community Quarantine on June 1. However, the underlying risk remains as possible second and third waves of Covid 19 infections have been seen in several countries, most notably in the ASEAN region.

Outlook

Although we believe the initial sell-off that saw the market hitting 4,000 is behind us, we continue to be neutral on the market, as near term risks remain. While most corporates are set to see incremental pick-up in revenues under GCQ, we remain cautious of a possible second wave of infections happening similar to other countries that were able to contain the virus earlier. This could eventually lead to another round of lockdown somewhere in the near-future. Also, we remain wary of further downgrades on 2020 expectations after this quarter's earnings season.

The fund has been gradually positioning back into the market and will continue to prefer accumulating names that have relatively better earnings visibility given the uncertain business environment.

As we move towards a more open environment to help the Philippine economy, the focus will remain on the number of positive Covid 19 cases reported daily and the capability to test a greater portion of the population. As a show of confidence, S&P has affirmed the credit rating of the Philippines at BBB+ (Stable) as they expect the Philippines to make a strong recovery in 2021 following a contraction of 0.2% in 2020. Against this background, we continue to maintain a neutral duration positioning as we wait for more information on the government's borrowing plans for the rest of 2020.

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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