

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 4.22 billion | Fund Currency Philippine peso | Dealing/Valuation Daily |
| Price (NAV/unit) PHP 1.885 | Management Fee 2.00% per annum | Bloomberg Ticker MPPHDVF | |

Performance Return (November 30, 2019)

| Peso Diversified Value Fund (net of management fee) | 1 Month | YTD | 1 Year | 3 Years | 5 Years | Since Inception |
|--|---------|-------|--------|---------|---------|-----------------|
| Absolute | -0.42% | 9.78% | 10.17% | 7.96% | 4.09% | 88.50% |
| Annualized | n.a. | n.a. | 10.17% | 2.59% | 0.80% | 6.15% |

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

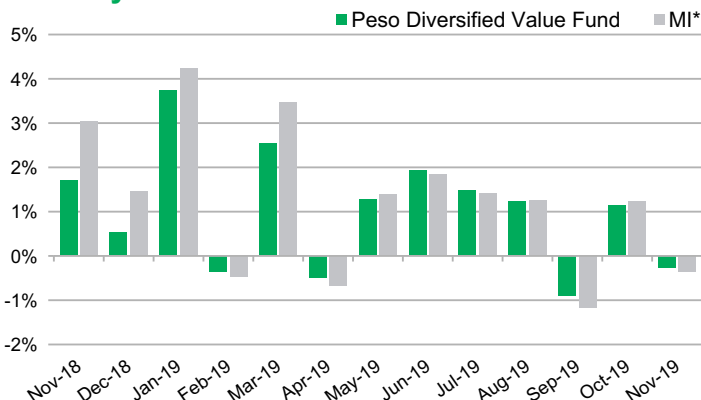


Top Five Holdings

| Bond Pool | | Short-Term Bond Pool | |
|--------------------------------------|-------|-------------------------------------|-------|
| FXTN 03/12/24 | 18.9% | Manulife Stable Income Fund Class I | 32.3% |
| RTB 12/04/22 | 15.8% | FXTN 01/26/22 | 18.0% |
| RTB 06/13/21 | 6.5% | RTB 06/13/21 | 14.1% |
| FXTN 04/21/23 | 5.9% | FXTN 01/19/22 | 11.4% |
| Manulife Income Builder Fund Class I | 5.4% | FXTN 07/04/22 | 9.7% |
| Equity Pool | | | |
| SM Investments | 12.6% | Ayala Land | 8.8% |
| Manulife Equity Wealth Fund Class I | 12.2% | BDO Unibank | 7.7% |
| SM Prime Holdings | 8.9% | | |

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

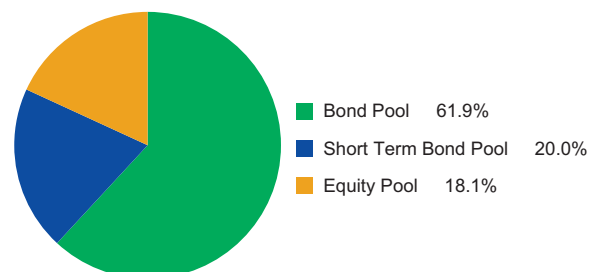
Monthly Performance



*Market Indicator = 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) dropped 3% to 7,739 for the month of November. The index started the month strong, hitting the 8,200 level, posting a 3% gain during the first week of November. However, financial markets, including the Philippines, have once again proven to be reactive to developments in the US-China trade developments. After the supposed trade deal in October, trade talks have hit a stalemate, with the US threatening China with more tariffs if the two countries do not agree on something soon. US lawmakers' show of support towards Hong Kong protesters also did not help with trade negotiations. Following the increase in anticipated volatility, the market's earlier gains made it more enticing for investors to lock-in some profits. Year-to-date foreign flows have turned negative to US\$67.5 million following the last tranche of MSCI rebalancing for 2019 in November. The two events outweighed decent 3Q earnings growth of 22% reported by Philippine companies, which continues to remain on track to hit full-year expectations of 16% for 2019.

The property sector was particularly weak during the month amidst recent negative developments. Congress displayed progress on taxing POGOs with a 5% franchise tax, as well as 25% income tax for its employees. Taxes arising from POGOs are estimated to raise around P45 billion for the government if approved. There are over 60 licensed POGOs and around 138,000 employees. Furthermore, Congress also passed the updating of real property taxes for further review. The bill proposes land values to be assessed closer to market prices. While land values on the business districts are already closer to market, some areas have not updated assessments over the last 20 years and will likely lead to a higher cost to own property. Lastly, multiple property companies have come out saying project launches for 2019-2020 are likely to be pushed back due to insufficient labor supply.

In an effort to further improve liquidity, the BSP's Monetary Board approved the revision of the definition of a deposit substitute to align this with the provisions under the BSP Charter, implying that borrowings from banks, quasi-banks, and other financial intermediaries will no longer be considered as deposit substitutes that are subject to reserve requirements. Interbank borrowings, repurchase agreements with financial counterparts, and bonds issued to financial intermediaries are example of borrowings that will be excluded from the definition of deposit substitutes. The exclusion of these types of borrowings from the reserve requirement is expected to result in more freed-up liquidity for lending and investment activities. The BSP is also hinting for possibly another policy rate cut in December.

Local bond yields started to climb in November especially after two weak FXTN auctions indicate investors' defensive stance as we approach year-end. Recent statement by Bangko Sentral ng Pilipinas (BSP) Governor Diokno that the BSP may consider another rate cut in December failed to convince investors as consensus view holds that the BSP is done for the year.

Outlook

Despite one of the index's largest sectors facing some challenges with recent developments, we continue to remain optimistic of the market over the next couple of months with December and January historically showing good outings as investors redeploy positions for the start of the new year. This should be supported by optimistic prospects in 2020. Corporate earnings are expected to grow by 11%, with Philippine GDP expanding by more than 6%. The portfolio will look to trim some position in the property sector and reallocate further to the banks, whose outlook continues on improving following several easing monetary policies announced by the Central Bank.

While we do not expect any strong positive catalyst for the remainder of the year, current levels of bond yields are becoming more attractive. Furthermore, given the Bureau of Treasury's aggressiveness in recent auctions, we do not anticipate it to proceed with a Retail Treasury Bond issuance. We expect benign inflation and dovish BSP to continue to support sentiment in the bond market and embolden investors to increase risk exposure as we start a new year.

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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