

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 4.28 billion	Fund Currency Philippine peso	Dealing/Valuation Daily
Price (NAV/unit) PHP 1.870	Management Fee 2.00% per annum	Bloomberg Ticker MPPHDVF	

Performance Return (September 30, 2020)

Peso Diversified Value Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.37%	-1.48%	-0.27%	2.86%	4.47%	87.00%
Annualized	n.a.	n.a.	-0.27%	0.94%	0.88%	5.61%

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

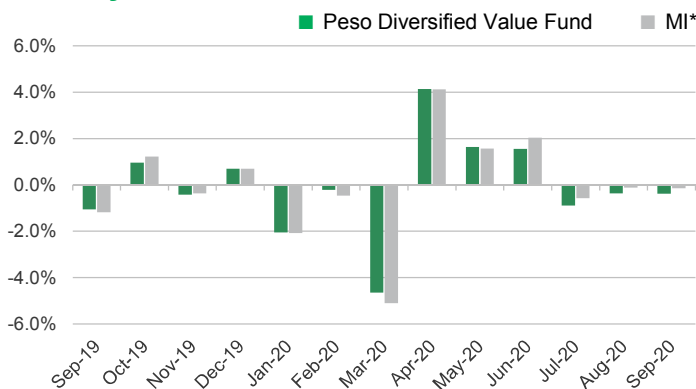


Top Five Holdings

Bond Pool		Short-Term Bond Pool	
FXTN 02/11/23	12.02%	Manulife Stable Income Fund Class I	35.07%
RTB 12/04/22	10.84%	FXTN 02/11/23	13.76%
FXTN 03/12/24	10.10%	RTB 12/04/22	12.83%
FXTN 08/12/25	9.19%	FXTN 04/21/23	8.04%
FXTN 04/21/23	6.41%	FXTN 07/04/22	5.83%
Equity Pool			
SM INVESTMENTS CORPORATION			15.20%
Manulife Equity Wealth Fund Class I			11.04%
SM PRIME HOLDINGS INC			8.62%
AYALA LAND INC			6.94%
AYALA CORPORATION			6.01%

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

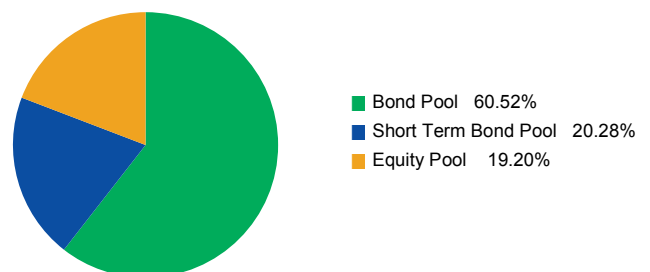
Monthly Performance



*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 Exchange Index is down 0.3% in September. The lack of catalysts led to continued foreign outflows which have now surpassed \$2 Billion YTD. Investors continue to remain cautious on the back of potential delays in economic recovery despite COVID cases levelling off from an average of 4,000 cases per day to 2,000 cases on average this month.

The financial sector and its earnings outlook remained in focus for the month as President Duterte signed into law the Bayanihan Act 2. The law provides for a 30-day grace period for real estate and utility payments if or when another strict lockdown is imposed and a 60-day grace period loan payment extension regardless of lockdown situation. In addition, the BSP imposed also imposed a 24% interest rate cap on credit card transactions from the current 47% charged annually. The impact of the rate ceiling may vary across Philippine banks, but we do expect banks to mitigate any adverse effects by lowering deposit rates and reducing benefits given to credit card holders by increased fees.

The number of Chinese Philippine Offshore Gaming Operators (“POGO”) fell from 60 operators at the end of 2019 to currently 50 as licenses were suspended and canceled. Additionally, POGOs are also under pressure from increasing tax payments and increased restrictions due to the current travel bans locally. Currently according to PAGCOR, only 32 of the 60 POGOs could resume operations with 30% capacity.

The Bangko Sentral ng Pilipinas (BSP) paused in its monetary easing, opting to keep its overnight reverse repurchase rate unchanged at its meeting last October 1. BSP Governor Diokno reiterated that there is sufficient liquidity in the banking system following the total 175bps rate cuts done earlier this year. Peso bond yields quickly reacted and trended lower as the steeper local bond yield curve (following the uptick seen in September) and ample liquidity led to buying in the peso government bonds. In addition, the newly released October auction schedule of the Bureau Treasury point to a lack of supply in the 7 and 10 year bonds, possibly adding to the demand in local bonds.

Outlook

Our outlook for the stock market in the fourth quarter remains cautious despite the prospects of further reopening of the economy. The IATF, with the approval of President Duterte, announced that NCR will continue to remain under GCQ restrictions for the whole month of October. This is to ensure that healthcare capacity and the spread of COVID cases remain controlled. Given the fragile state of the country’s economic recovery, we continue to steer away from sectors that will most likely have negative tail risk such as financial services and instead reweight to sectors that will remain beneficiaries should the pandemic persist. Looking to next year, we are positive on sectors that are likely the first to recover when the macroeconomic shadow cast by the pandemic lifts. These would include names in the consumer discretionary space and conglomerates.

Overall rhetoric from the BSP is quite dovish as 3Q GDP is expected to contract with the limited mobility imposed in several areas of the Philippines in August. As a result, the BSP has revised lower its inflation forecast for 2020 to 2022, amid the resurgence in the COVID 19 cases in specific areas of the country. Against this background, we expect local bonds to be well supported in the midst of the very liquid market and will keep the overall duration neutral against the benchmark.

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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