

Peso Balanced Fund

An investment fund option for variable life insurance products of **The Manufacturers Life Insurance Co., (Phils), Inc.**

Investment Objective

The Fund seeks to achieve long-term capital growth through investments in diversified portfolios of peso-denominated fixed income securities and securities listed on the Philippine Stock Exchange and/or pooled fund/s that invest in these securities and other liquid fixed income instruments. It shall generally maintain a balanced allocation between fixed income and equity investments and may shift asset allocation between the two as risk/reward dynamics warrant but in no case shall the fund's equity or fixed income allocation exceed 70% of its assets.

Fund Information

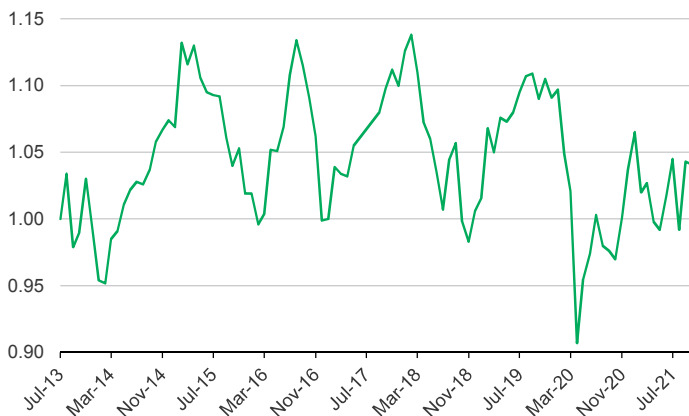
Inception Date July 2013	Fund Size PHP 278.85 million	Fund Currency Philippine peso	Dealing/Valuation Daily
Price (NAV/unit) PHP 1.041	Management Fee 2.00% per annum	Bloomberg Ticker MPPHBAL	

Performance Return (September 30, 2021)

Peso Balanced Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.19%	-2.25%	7.32%	4.31%	-4.58%	4.10%
Annualized	n.a.	n.a.	7.32%	1.42%	-0.93%	0.49%

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

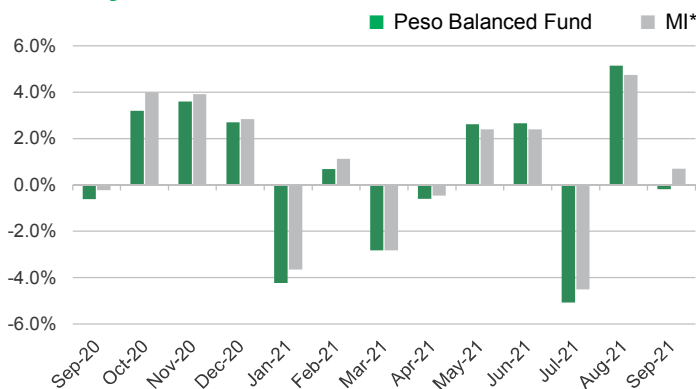


Top Five Holdings

Bond Pool		Equity Pool	
FXTN 08/12/25	14.59%	SM INVESTMENTS CORPORATION	13.75%
FXTN 03/09/24	14.28%	Manulife Equity Wealth Fund Class I	10.14%
FXTN 02/11/23	8.62%	SM PRIME HOLDINGS INC	8.70%
FXTN 09/09/25	8.14%	AYALA LAND INC	8.47%
Manulife Income Builder Fund Class I	5.87%	AYALA CORPORATION	7.92%

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

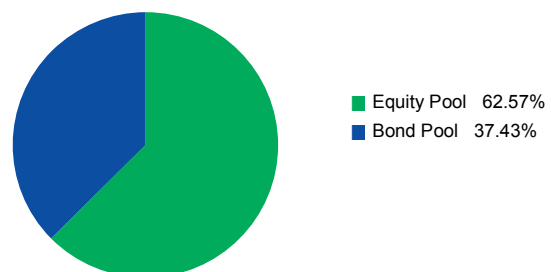
Monthly Performance



*Market Indicator = 50.0% PSEi + 5.0% Markit Iboxx ALBI Philippines Liquid + 45.0% Markit Iboxx ALBI Philippines 1-5

Portfolio Breakdown

Asset Allocation (at Market Value)



As per the fund's Investment Policy Statement, initial subscriptions are invested in fixed 45% Bond Pool and 55% Equity Pool. The investments in these pools consist of:

-Peso Bond Pool: Peso-denominated bonds of the Republic of the Philippines and term deposits.

-Equity Pool: Various stocks listed on the PSE and term deposits

Peso Balanced Fund

Market Review

The recovery of the Philippine market was sustained with the PSEi up 1.4% in September, ending at 6,952. This brings total gains in the last two months to 11% and trims the PSEi's YTD loss to 1.1%. The rally continues to be driven by encouraging developments in containing the COVID-19 surge and the improvement in vaccination rate. We also saw the peak of COVID-19 surge in late September when daily cases averaged around 20,000.

In September, Metro Manila was placed under level 4, a step lower than the strictest lockdown classification. The government will likely continue to increase mobility in Metro Manila should cases continue to go down. Supporting this thesis is the capital's vaccination rate, which is now above 50% of the total population. The national vaccination rate has also hit 20% by end-September according to data from the Department of Health. With over 90m in vaccine doses as of mid-Oct, the expectation is that vaccination rate should continue to improve as the fourth quarter progresses.

On the macro front, the financial sector saw an improvement with the BSP reporting a 0.5% MoM increase in July loans. Meanwhile, inflation picked up to 4.9% in August, driven by higher food prices. Cost pressures are starting to impact as energy prices pick up with coal and natural gas leading the charge given global supply constraints.

There were noteworthy stock specific updates during the month. First, there were a couple of new REIT Initial Public Offering (IPOs), namely Robinsons Commercial REIT (RCR) and Megaworld REIT (MREIT). The REITS raised close to P40bn. In addition, a cornerstone investor of MONDE sold P5bn worth of shares to the market.

Local bond yields continued to rise in September as concerns over inflation resurfaced with September inflation printing at 4.8%, staying above the Bangko Sentral ng Pilipinas's (BSP) 2-4% target range. Inflation rate will likely stay elevated with the holidays just around the corner. In fact, the BSP revised its inflation forecast from 4.1% to 4.4% this year. Nevertheless, the BSP views the inflation uptick as supply-driven and continues to reiterate its commitment to an accommodative monetary policy until we see hard evidence of full recovery.

Supply concerns also weighed on bond market sentiment, particularly the belly of the curve, as the Bureau of Treasury's October auction schedule focuses on 5 to 7-year bonds. The market is not discounting the possibility of a Peso Retail Treasury Bond (RTB) sale even after the BTr had its maiden retail dollar bond sale.

Outlook

Early in October, average COVID-19 new cases declined by half to around 10,000 per day while there is a gradual reopening of the economy on lowering quarantine restrictions. In addition, the upcoming national elections could potentially provide a boost to spending, resulting to higher corporate earnings. These support our overweight positions on cyclical sectors including as Financials and Real Estate. Meanwhile, election spending could provide a boost to spending, providing a boost to consumer discretionary and staples.

The external environment has also been quite challenging for bond yields as Treasury yields are finally pricing in the Federal Reserve's possible tapering of bond purchases this year. Moreover, elevated US inflation and discussions around the increase in US debt ceiling reinforced the sell-off. Against this backdrop, we will keep the neutral duration positioning vis-à-vis the benchmark as we continue to monitor the local and global developments.

The investment fund option for The Manufacturers Life Insurance Company's variable life insurance product is managed by Manulife Asset Management and Trust Corporation.

The Fund mentioned in this document is specific to variable life insurance contracts and is not considered a mutual fund. Yields depend on interest and foreign exchange rate levels, both of which may fluctuate. Other factors that affect yield include changes in the credit standing of the issuers and changes in the value of the stocks and dividends received. Further, investments of the Fund may provide that their values be determined based on prices or yields of other securities, instruments or foreign currencies, and such provisions may result in negative fluctuations in the value of these investments and, in turn, the Fund's yields. Thus, the performance of the separate account(s) is not guaranteed and the value of the policy could be less than the capital invested. THE VARIABLE LIFE POLICYHOLDER SHALL BEAR ALL INVESTMENT RISKS. Past performance of the Fund is not necessarily indicative of future performance. Yields are not guaranteed.

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