

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

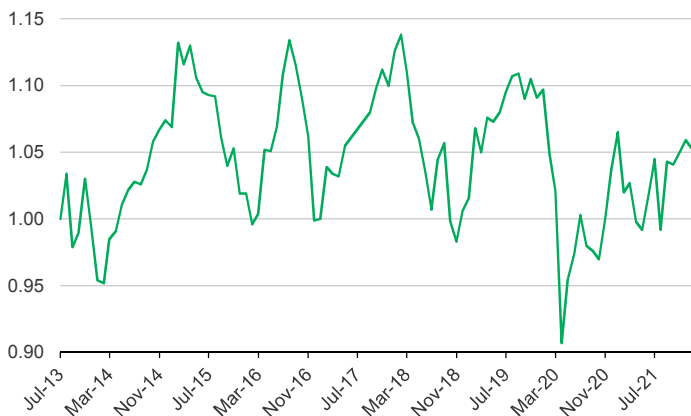
Inception Date July 2013	Fund Size PHP 277.92 million	Fund Currency Philippine peso	Dealing/Valuation Daily
Price (NAV/unit) PHP 1.053	Management Fee 2.00% per annum	Bloomberg Ticker MPPHBAL	

Performance Return (December 31, 2021)

Peso Balanced Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.57%	-1.13%	-1.13%	3.64%	5.30%	5.30%
Annualized	n.a.	n.a.	-1.13%	1.20%	1.04%	0.61%

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

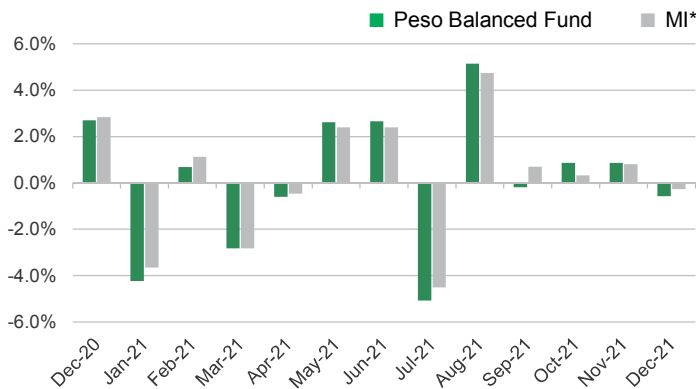


Top Five Holdings

Bond Pool		Equity Pool	
FXTN 08/12/25	14.36%	SM INVESTMENTS CORPORATION	11.90%
FXTN 03/09/24	13.45%	Manulife Equity Wealth Fund Class I	10.01%
FXTN 09/09/25	7.91%	SM PRIME HOLDINGS INC	8.46%
FXTN 02/11/23	7.73%	AYALA LAND INC INTERNATIONAL CONTAINER TERMINAL SERVICES INC	7.16%
FXTN 03/12/24	6.93%		6.81%

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

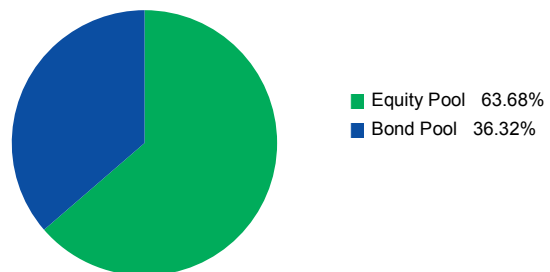
Monthly Performance



*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 Philippine market was down 1% for the month, closing at 7,122. For 2021, the PSEi had a total return of 1.6%. Throughout the year the economy tried to reopen but was hampered by COVID-related challenges. Although below than initial expectations, overall corporates still saw a stark improvement in earnings in 2021.

Mobility has significantly improved in December in light of the low COVID-19 daily cases during the period. This brought a significant rise in foot traffic in retail areas such as shopping malls and restaurants, implying an improvement in consumer spending. However, the steady increase in COVID-19 cases in the latter parts of December raised concerns on a potential lockdown in Metro Manila. This has caused the weakness in the equity markets in the last week of December.

Macroeconomic data continues to support further improvement in the economy. Inflation has decelerated to around 3.6% in December on easing food prices. Earlier in the year inflation was a concern as it was around 5% due to high food prices. Meanwhile, industry commercial loans continued to improve throughout the year, reaching 4% YoY as of November from being down earlier in the year. Improvement in loan activity was driven mostly due by commercial activity as corporates ramp up capital expenditure to expand businesses in 2021.

Last year was a challenging environment for the local fixed income market amidst high inflation and large government borrowing. Full year inflation reached 4.5%, which is beyond the Bangko Sentral ng Pilipinas' (BSP) target range of 2-4% and higher than its latest inflation forecast of 4.4%. The BSP maintained its view that the uptick in inflation was transitory and driven by supply side disruptions while reiterating its commitment to an accommodative monetary policy until we see hard evidence of full recovery. Nevertheless, the elevated inflation throughout the whole year dampened the already fragile market sentiment. The external environment also did not help as the U.S. Federal Reserve started reducing the size of its monthly bond purchases and is expected to start hiking its policy rate this year.

Intermediate bonds bore the brunt of the sell-off as bond issuances by the Bureau of Treasury (BTr) were concentrated on the 5- to 10-year maturities. The frequency of bond issuance also increased from bi-monthly to weekly starting June, putting supply risk again on the spotlight. Furthermore, in November, the BTr surprised the market with a P360B 5-year Retail Treasury Bond (RTB) issuance, the second one for the year. The first RTB was a jumbo P463B 3-year bond issued in February.

The government estimates 2021 economic growth to fall within the range of 5 to 5.5%. While the economy has emerged from the unprecedented 9.5% contraction in 2020, 2021 had its share of wild swings with the government re-imposing Enhanced Community Quarantine (ECQ) in March/April and August on several areas in the Philippines, including Metro Manila, following spikes in Covid cases. Vaccine rollout started slow but eventually picked up in the second half of the year as vaccine supplies increased. As of the first week of January 2022, 65.6% of the adult population have been fully vaccinated and the inoculation of booster doses is underway.

Outlook

We remain optimistic that the economy will further reopen in 2022 despite the recent surge in COVID-19 cases due to Omicron variant. The availability of COVID-19 vaccines should be able to help reduce the impact of COVID-19 to the economy. Meanwhile, the upcoming elections and subsequent campaign spending could potentially provide a boost in corporate earnings. However, this could also bring volatility as a significant change in the political environment could bring into question previous government policies made by the current administration.

We expect supply risk to continue to dampen investor sentiment on the local bond market this year. While the BSP will likely keep policy rate at 2%, possible 2 to 3 rate hikes by the U.S. Federal Reserve may introduce another layer of uncertainties, including a potentially weaker Peso on the back of narrowing interest rate differential with the U.S. In terms of yield curve view, we think the belly might perform better this year as intermediate bonds hold significant premium over the short ends. On the other hand, performance of long-dated bonds will largely depend on BTr issuance behavior. Due to the very limited long-dated bond issuance in 2021, there seems to be some pent-up demand on this part of the curve. That said, the BTr may take advantage of this demand to focus its issuance on long-dated bonds this year to lengthen the duration of liabilities.

We expect inflation to moderate and fall within the BSP's target range of 2-4%; however, it may settle on the high end of the range as inflationary effects of supply bottlenecks linger. Furthermore, the likelihood of a weaker Peso vis-à-vis the U.S. Dollar this year, driven by an increase in economic activity and narrowing interest differential with the U.S., may increase cost of imports, including oil, adding to inflation risk.

Against this backdrop, we expect the macroeconomic environment to remain challenging for the local bond market but an improvement from last year. Supply risk remains to be the dominant risk in the local bond market.

Peso Balanced Fund

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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