

Peso Dynamic Allocation 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 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

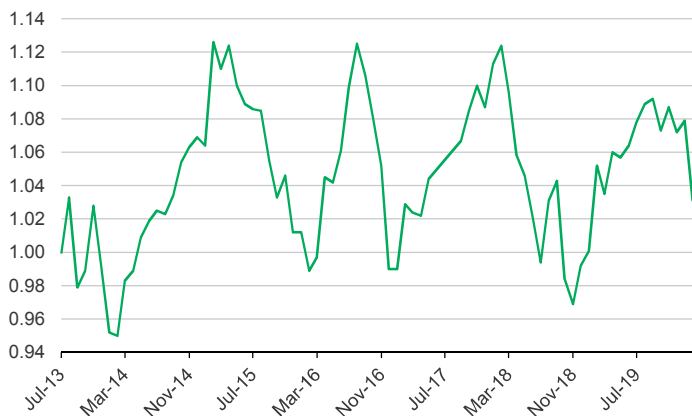
Inception Date July 2013	Fund Size PHP 4.91 billion	Fund Currency Philippine peso	Dealing/Valuation Daily
Price (NAV/unit) PHP 1.031	Management Fee 2.25% per annum	Bloomberg Ticker MPPHDYN	

Performance Return (January 31, 2020)

Peso Dynamic Allocation Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-4.45%	-4.45%	-2.00%	0.19%	-8.44%	3.10%
Annualized	n.a.	n.a.	-2.00%	0.06%	-1.75%	0.46%

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

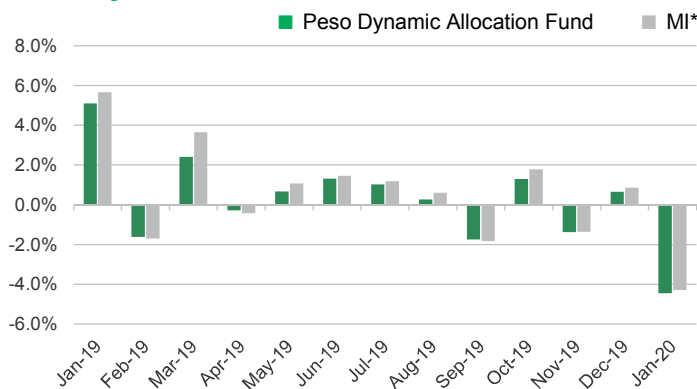


Top Five Holdings

Bond Pool		Equity Pool	
FXTN 03/12/24	16.40%	SM INVESTMENTS CORPORATION	13.59%
RTB 12/04/22	15.31%	Manulife Equity Wealth Fund Class I	12.11%
Manulife Income Builder Fund Class I	5.39%	SM PRIME HOLDINGS INC	9.53%
RTB 06/13/21	5.08%	AYALA LAND INC	8.46%
FXTN 04/21/23	4.48%	BDO UNIBANK INC	7.86%

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

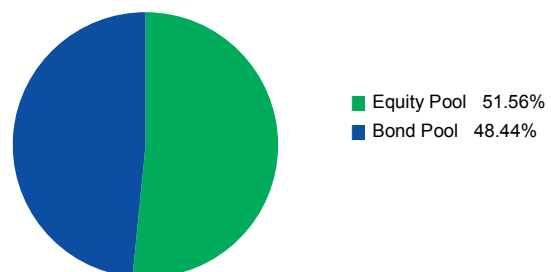
Monthly Performance



*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 Dynamic Allocation Fund

Market Review

The Philippine stock market index (PSEI) dropped 7.9% to 7,201 in January. Local market performance was hampered by several factors including uncertainties on the economic impact of the Taal eruption, the government review on contracts with the private sector, and the rising number of coronavirus infections which the World Health Organization (WHO) declared a public health emergency.

The government lowered Taal alert level from 4 to 3, allowing for the resumption of business activities within the affected areas. Damage to agriculture is estimated to be around Php3bn, plus potential losses coming from the 2-week suspension of businesses in the nearby areas due to the volcanic eruption. The heavily affected CALABARZON region accounts for roughly 15% of Philippine GDP. Meanwhile, regulatory woes continued to escalate. After the review of water contracts, the government looks to review contracts in other industries as well. The government said it will be probing into some transportation and road projects, as well as land lease and power supply agreements. Lastly, the rapid spread of the Coronavirus raised fears of stalling global growth. China's GDP growth for 2020 could be trimmed by as much as 200-basis points, down closer to 4%, as economic activity in many cities halted with factories closing for extended periods in an effort to limit the spread of the virus. Locally, the tourism industry is anticipating a Php20bn loss in revenues due to the Coronavirus scare. Tourism contributed 12.7% or Php2.2tn to Philippines GDP in 2018.

December inflation shot up to 2.5% from November's 1.3%, propped up by the normalization of food and transport prices that were flat to deflationary in the previous three months. Food deflation was more or less expected in the September to November period due to it spiking in 2018 to as high as 9.7% brought about by the rice supply bottlenecks that are now long behind us. 2019 average inflation settled at 2.5%, now within the BSP's target range.

The peso bond yield curve flattened in January as the short to intermediate part of the curve trended higher and the long-ends fell on the back of various local and global factors. On the local front, the inflationary concerns following the eruption of the Taal volcano coupled with an earlier than expected Retail Treasury Bond (RTB) issuance led to a sell-off in peso bonds. On the global side, the US-Iran tensions and the coronavirus outbreak caused a risk-off sentiment for investors.

Outlook

While we continue to be generally positive of our outlook for Philippine equities in 2020, the recent developments have made us more cautious and see increasing downside risks to current estimates to both economic and corporate expectations. The increased risks in the business environment led to foreigners being heavy sellers of Philippine equities for the month of 2020, with outflows totaling to USD164mn compared to full-year 2019's USD240mn of foreign selling.

Given the rapid drop in market prices, the portfolio will look to take advantage of accumulating names with deflated valuations and keep an underweight position in companies that might expose the portfolio to unnecessary volatility, such as those that are more exposed to regulatory risks.

Following the January inflation print which surprised on the upside at 2.9% (2.7% expectations), the Bangko Sentral ng Pilipinas facilitated a "pre-emptive reduction" in policy rates by 25bps at its February 6 meeting citing the potential adverse effects of the coronavirus on the economy. As the Philippine bond market digests the record RTB issuance of PHP 310Bn, we expect local bond yields to trend lower. Against this backdrop, we favor the belly part of the curve and will opportunistically add duration to the funds under management.

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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