

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

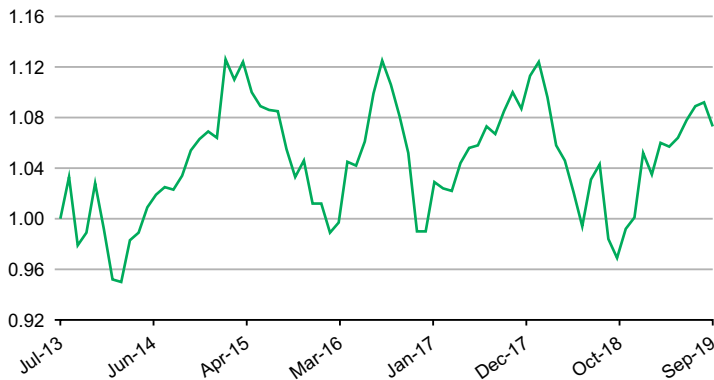
Inception Date July 2013	Fund Size PHP 5.01 billion	Fund Currency Philippine peso	Dealing/Valuation Daily
Price (NAV/unit) PHP 1.073	Management Fee 2.25% per annum	Bloomberg Ticker MPPHDYN	

Performance Return (September 30, 2019)

Peso Dynamic Allocation Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-1.74%	7.19%	9.04%	-0.74%	1.80%	7.30%
Annualized	n.a.	n.a.	9.04%	-0.25%	0.36%	1.13%

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

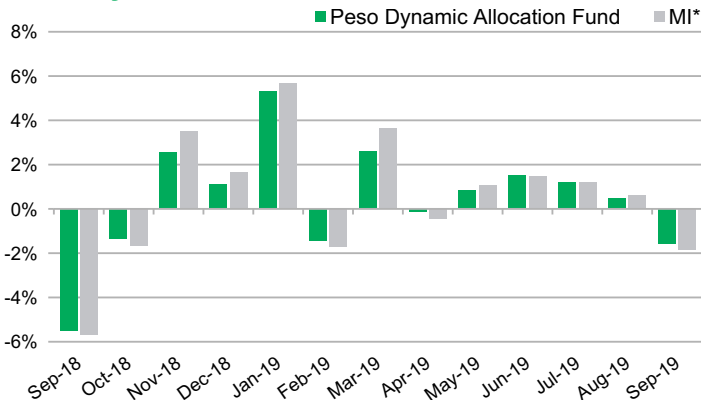


Top Five Holdings

Bond Pool		Equity Pool	
FXTN 03/12/24	19.3%	Manulife Equity Wealth Fund Class I	12.4%
RTB 12/04/22	15.6%	SM Investments	11.3%
RTB 06/13/21	6.5%	Ayala Land	9.6%
FXTN 04/21/23	6.0%	SM Prime Holdings	8.3%
Manulife Income Builder Fund Class I	5.3%	BDO Unibank	7.9%

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

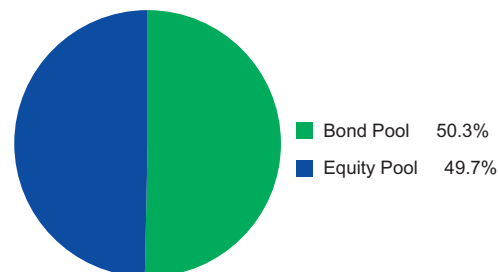
Monthly Performance



*Market Indicator = 50% Markit iBoxx ALBI Philippines Liquid Index + 50% PSEi

Portfolio Breakdown

Asset Allocation (at Market Value)



As per the fund's Investment Policy Statement, initial subscriptions are invested in fixed 40% Bond Pool and 60% 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 local stock market index (PSEI) closed at 7,779, down 2.5% for the month of September. The equities market weakness can be partially attributed to the FTSE rebalancing where most Philippine stocks were down-weighted. However, global news continued to dictate local market movement during the month amidst the lack of updates domestically. In an expected move, the Federal Reserve cut policy rates by 0.25% to bring the Fed benchmark to 1.75% in an effort to sustain US expansion given the circumstances of uncertainty in trade policy and slowing growth. The US's move supports the Philippine Central Bank's action to also cut rates by 0.25% as well, bringing down the policy rate to 4%. A benign inflation environment and a need to support economic recovery gave the BSP enough space to remain dovish. The BSP will be slashing banks' reserve requirement ratio (RRR) by another 1% effective first week of November, which will bring down the RRR of big banks from 16% to 15%. The RRR should release as much as P100bn into the country's financial system.

On the local macro front, initial concerns on the impact to Philippine inflation as a result of the attack on Saudi oil production facilities are starting to wane, with the Saudi government looking to restore lost production as soon as the end of September. Oil prices spiked to as much as 20% higher on the news but have since declined to only being 7% up pre-attack. Fuel and transportation make up 7% and 8% of the Philippine consumer basket, respectively. Due to renewed inflation concerns, Philippine 10yr bond yields rose to 4.8% from 4.3% in August.

Local bond yields trended higher by as much as 50bps in mid-September from the July lows which could be viewed as a correction from a rally that unfolded too quickly. The uptick in local bond yields was exacerbated by the same uptrend seen in US Treasuries. This environment in both markets has led to investors reducing their holdings at a time when market liquidity was not present, intensifying the uptick in yields. Against this backdrop, an air of cautiousness resulted as investors recalibrated and were sidelined as they wait for clearer market direction.

Outlook

The PSEI continues to trade within the 7,700 to 8,000 range. We are likely to see volatility in the markets persist, mainly driven by the uncertainty brought about by the US-China trade war. Meanwhile, four upcoming IPOs with a combined USD2 billion may further result to market pressure as investors prepare to fund these new potentially positions. As such, the portfolio will look to focus positioning into names with company-specific drivers, opting for a more bottom-up approach in these times of volatility.

Towards the end of the month, some buying activity finally emerged after the Bangko Sentral ng Pilipinas cut policy rates by 25bps to 4% and reserve ratio requirement by 100bps to 15%. However, in spite of the additional monetary stimulus, we still maintain our neutral outlook and duration positioning for local peso bonds on the back of a possible Retail Treasury Bond (RTB) issuance in the fourth quarter coupled with extended trade war concerns and signs of a slowing US economy.

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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