

Peso Wealth Optimizer Fund 2026

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

Investment Objective

The Fund seeks to maximize long-term capital growth while managing the risk of capital erosion as the target date approaches through a dynamic rebalancing of exposure to diversified portfolios of peso-denominated fixed income securities and securities listed on the Philippine Stock Exchange and/or pooled funds that invest in these securities and other liquid fixed income instruments.

Fund Information

Inception Date June 2016	Fund Size PHP 491.96 million	Fund Currency Philippine peso	Dealing/Valuation Daily
Price (NAV/unit) PHP 0.959	Management Fee 2.25% per annum (of which 0.18% will go to the Investment advisor, Manulife Investment Management (HK) Limited.)		Bloomberg Ticker MPPHWTN

Performance Return (December 31, 2024)

Peso Wealth Optimizer Fund 2026 (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.72%	3.01%	3.01%	0.31%	-6.53%	-4.10%
Annualized	n.a.	n.a.	3.01%	0.10%	-1.34%	-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.

Why Peso Wealth Optimizer Funds?

Investing through a target date approach simplifies asset allocation for an average investor. The asset mix changes over time, becoming more conservative as the investor's financial milestone draws closer.

The change in asset allocation over time is called the **glide path** which Manulife designed specifically for these funds.



The glide path's objectives include:

- To maximize wealth accumulation prior to target date
- To minimize risk as the target date approaches
- To make wealth last long enough to support any financial needs beyond the chosen target date

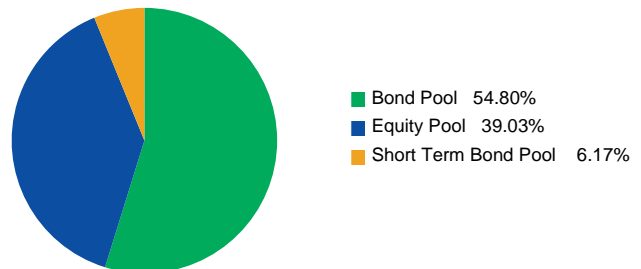
Top Five Holdings

Bond Pool		Short-Term Bond Pool	
Manulife Income Builder Fund Class I	6.25%	Manulife Stable Income Fund Class I	40.93%
FXTN 07/19/31	6.17%	Manulife Money Market Fund Class I	10.87%
FXTN 02/28/29	6.03%	FXTN 04/08/26	6.85%
FXTN 09/15/32	5.87%	FXTN 03/04/27	6.32%
FXTN 03/04/27	5.11%	FXTN 02/28/29	5.90%
Equity Pool			
SM INVESTMENTS CORPORATION	14.41%		
INTERNATIONAL CONTAINER TERMINAL SERVICES INC	10.86%		
Manulife Equity Wealth Fund Class I	9.56%		
BANK OF THE PHILIPPINE ISLANDS	8.58%		
BDO UNIBANK INC	8.37%		

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

Portfolio Breakdown

Asset Allocation (at Market Value)



As per the fund's Investment Policy Statement, initial subscriptions are invested in fixed 78.23% Equities, 21.3% Long term bonds, 0.47% Short term bonds. 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.

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Market Review

In December, the Philippine Stock Exchange Index (PSEi) fell by 1.04%, bringing the year-to-date return to 4.1%. By the end of 2024, the PSEi closed at 6,528.79. This weakness can be attributed to several concerns, including aggressive U.S. policies and a potentially less optimistic outlook for rate cuts. Additional pressures included a 1.4% depreciation of the peso in December, bringing the full-year depreciation to 4.24%, and a rise in U.S. 10-year Treasury yields to as high as 4.8%, up from 3.6% in September. Investor repositioning ahead of 2025, influenced by changing interest rate expectations, also led to underperformance in interest rate-sensitive sectors like property and financials.

In December, inflation increased to 2.9% year-on-year, up from 2.5% in November. Food prices rose by 3.4% year-on-year, while housing and utilities increased by 2.9%. Notably, rice prices continued to decrease in the latter part of 2024, likely due to lower international rice prices. This decline followed an average increase of 23% from the start of 2024 to the end of the first half. On the monetary policy front, the Bangko Sentral ng Pilipinas continued to cut policy rates by another 25 basis points to 5.75% on December 19.

Governor Remolona stated that he expects further rate cuts in 2025, potentially as early as the first quarter.

The bond market had a rough start in 2024, with both U.S. and local yields peaking in April as stronger-than-expected economic data in the U.S. and geopolitical tensions in the Middle East triggered a massive sell-off. Upward surprises in U.S. payrolls and inflation figures in the U.S. during the first quarter led to a drastic adjustment in Federal Reserve (Fed) 2024 rate cut expectations from 150bps at the start of the year to just 25bps by April, sending U.S. 10-year yields almost 70bps higher in the first four months of the year. Negative sentiment in global bond markets, along with accelerating domestic inflation in the first half of the year and huge supply from the Bureau of Treasury's issuance of five-year Retail Treasury Bonds, created a perfect storm for the local bond market, pushing yields up by over 100bps in some tenors.

Outlook for the local bond market turned brighter in the second half of the year following the government's issuance of Executive Order (EO) 62, which covers the reduction of import duty on rice from 35% to 15% until 2028, as well as on a few other commodities. The domestic inflation rate finally peaked in July and managed to stay within the Bangko Sentral ng Pilipinas' (BSP)'s target range of 2-4% for the rest of the year, averaging at 3.2% for 2024. With a more benign inflation outlook and Fed rate cuts back in focus, a strong rally in the bond market ensued until the end of the third quarter, bringing yields over 100bps lower and reversing losses incurred earlier in the year. Both the Fed and the BSP were finally able to begin easing monetary policy, cutting by a total of 100bps to 4-4.5% and 75bps to 5.75%, respectively, in the second half of the year. In addition, the BSP also reduced the Reserve Requirement Ratio for universal and commercial banks by 250bps, effectively releasing over P300b in additional liquidity to the financial system. The BSP's focus shifted to stimulating economic growth, which was dampened by years of high inflation and adverse weather conditions. Unfortunately, October marks the end of the five-month rally as the market shifted its focus to the U.S. elections. Yields ended higher for the year as President-elect Donald Trump's subsequent victory sparked anxiety over uncertainties in economic and monetary policy in 2025 and beyond.

Outlook

We expect the market to trade sideways to lower in the first quarter of 2025 due to a lack of catalysts. Key developments to watch include consumer spending trends and the impact of upcoming local mid-term elections, which may support weak market sentiment. Currently, the PSEi is trading at a P/E ratio of around 10x, presenting potential buying opportunities at lower levels.

We expect Fed policy to remain center stage in global macroeconomic developments and will continue to drive the local market in 2025. U.S. and local yields will likely stay elevated and volatile in the short-term as markets price in fewer Fed cuts this year in anticipation of policy uncertainties under a Trump regime.

Nevertheless, some weakness in U.S. data should eventually shift the focus back on monetary easing and cap the rise in U.S. yields, especially as they approach two-year highs. The significant rise in yields over the past three months may offer a good buying opportunity for long-term investors, especially as our outlook on inflation remains benign. We expect inflation to stay within the BSP's target range and growth to be supported by a benign inflation environment. Key inflationary risks to monitor include a weaker currency and possible upward adjustments in transport fares and electricity rates.

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