Peso Wealth Optimizer Fund 2026

An investment fund option for the 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 378.97 million	**Fund Currency** Philippine peso	**Dealing/Valuation** Daily
Price (NAV/unit) PHP 0.885	**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 (July 31, 2020)

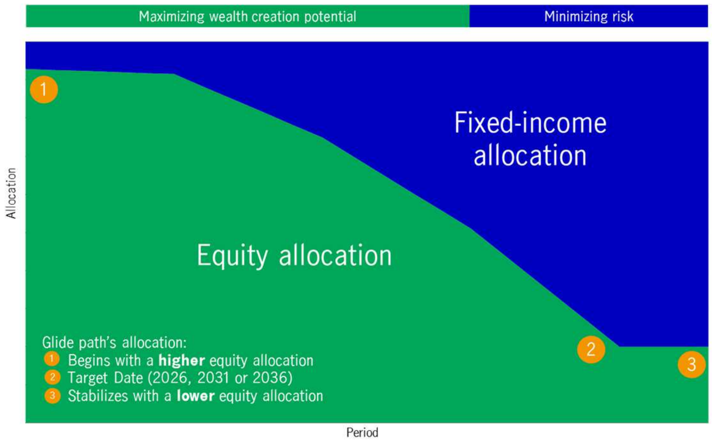
Peso Wealth Optimizer Fund 2026 (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-2.64%	-13.74%	-15.07%	-14.58%	n.a.	-11.50%
Annualized	n.a.	n.a.	-15.07%	-5.12%	n.a.	-2.90%

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

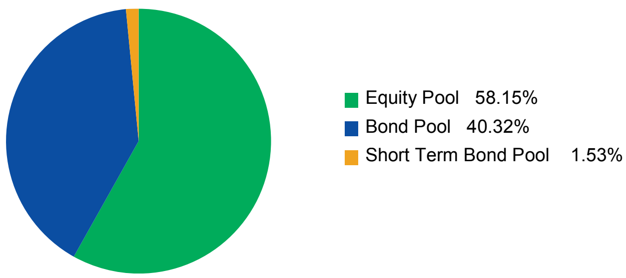
Bond Pool		Short-Term Bond Pool	
FXTN 02/11/23	11.93%	Manulife Stable Income Fund Class I	34.56%
RTB 12/04/22	11.79%	FXTN 02/11/23	15.37%
FXTN 03/12/24	9.86%	RTB 12/04/22	14.60%
FXTN 04/21/23	7.11%	FXTN 04/21/23	8.83%
Manulife Income Builder Fund Class I	5.59%	FXTN 07/04/22	7.21%

Equity Pool	
SM INVESTMENTS CORPORATION	15.13%
Manulife Equity Wealth Fund Class I	11.24%
SM PRIME HOLDINGS INC	9.05%
AYALA LAND INC	7.90%
AYALA CORPORATION	6.18%

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.*

Manulife

July 31, 2020

Peso Wealth Optimizer Fund 2026

Market Review

The Philippine Stock Exchange Index is down 4.4% for July and down -23% YTD. Much of the weakness can be attributed to growing uncertainty surrounding the sharp rise in COVID cases. To-date, the Philippines now has the highest active cases in ASEAN and is still the second highest in terms of COVID cases at 106,330. Alongside the plea of health workers and an overwhelmed health care system, in August 2, President Duterte announced that NCR and neighboring provinces in Luzon reverts back into stricter MECQ quarantine until August 14.

On corporate news, ABS-CBN disclosed that they will be closing operations of some of its businesses and implement retrenchment programs in light of the recent non-renewal of its broadcasting license. Recent corporate developments similar to ABS-CBN and renewed concerns surrounding the possible criminal complaint against water concessionaires and telecommunications firms are causing a revival of regulatory overhang in market similar to what we have last seen in December 2019.

Meanwhile, the 2Q20 earnings season has kicked off with 11 of the 30 listed firms already reporting mixed earnings results. We expect much of the drastic impact to weak earnings for this year to be felt in the second quarter. This was echoed by the latest pronouncements by the BSP saying that 2Q will be the lowest point of the crisis and that succeeding quarters for the year will be the start of a renewed economic recovery going into 2021.

Ayala Land's REIT (A-REIT) is next to raise capital after getting PSE approval for its REIT vehicle. The company finalized its first REIT offering in July, pricing it at P27 per share with an equivalent dividend yield of 5.89%. A-REIT raised P27.7Bn which it will use to grow its property portfolio. Additionally, other companies like GLO and ICT also had successful dollar bond issuances to refinance and lengthen existing debt maturities.

Most of the activity of the local bond market in July was focused on the upcoming Retail Treasury Bond (RTB) issuance, which was priced at a 30bps premium over the 5 year FXTN equivalent. The RTB 5-13 is poised to be the largest issuance in size, surpassing the PHP310Bn size of the RTB 3-10 last March 2020. Secondary market liquidity remains strong following the total 175bps policy and 200bps RRR cuts made by the Bangko Sentral ng Pilipinas (BSP) for 2020. Moreover, the continued presence of the BSP in the secondary market continues to provide an available daily buyer for government securities.

The tight country-wide lockdown experienced from mid-March to a more relaxed quarantine to date has drastically slowed down GDP for the Philippines. The government earlier projected a contraction of 2 - 3.4% for this year, but recently stated the possibility of a further downward revision due to the lockdown extensions in 2Q that were not accounted for in the earlier projections. A larger GDP contraction than estimated by the Philippine government may weigh on the local bond market.

Outlook

The gradual reopening of the economy is likely to be offset by the growing overhang due to a renewed rise in COVID cases, tempering our bullishness and causing us to maintain our neutral call on the markets. We also considered the re-imposition of MECQ restrictions to NCR from August 4 to 18. We believe though, that the current MECQ restrictions may have a softer impact to the economy than the initial ECQ restrictions in March, as more mobility is allowed while select industries are open albeit at a reduced capacity. In terms of portfolio positioning, we continue to strike a balance by maintaining positions in sectors that we think will perform near-term in this current pandemic backdrop and positioning in sectors that show medium to long term growth prospects beyond the pandemic in areas like online purchases, home essentials, "easy" banking and other areas involving back-to-work activities.

The COVID 19 cases in the Philippines continue to rise dramatically, with Philippines and Indonesia topping the regional count. In light of the reversion back to the Modified Enhanced Community Quarantine for Metro Manila and select areas in the Philippines coupled with a possible disappointing GDP contraction, we are maintaining our defensive position due to the potential volatility in the fixed income markets.
