

Peso Wealth Optimizer Fund 2031

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 159.36 million | Fund Currency Philippine peso | Dealing/Valuation Daily |
| Price (NAV/unit) PHP 0.887 | Management Fee 2.25% per annum (of which 0.18% will go to the Investment advisor, Manulife Investment Management (HK) Limited.) | | Bloomberg Ticker MPPHWFN |

Performance Return (February 28, 2021)

| Peso Wealth Optimizer Fund 2031 (net of management fee) | 1 Month | YTD | 1 Year | 3 Years | 5 Years | Since Inception |
|--|---------|--------|--------|---------|---------|-----------------|
| Absolute | 1.72% | -4.73% | -1.99% | -18.92% | n.a. | -11.30% |
| Annualized | n.a. | n.a. | -1.99% | -6.75% | n.a. | -2.50% |

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

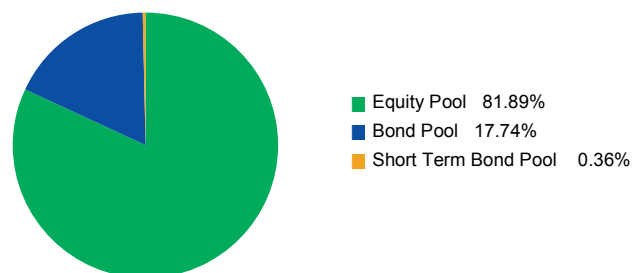
Top Five Holdings

| Bond Pool | | Short-Term Bond Pool | |
|-------------------------------------|--------|------------------------|--------|
| FXTN 08/12/25 | 13.56% | Manulife Stable Income | |
| FXTN 02/11/23 | 11.05% | Fund Class I | 38.39% |
| RTB 12/04/22 | 7.72% | FXTN 02/11/23 | 12.86% |
| FXTN 09/09/25 | 7.23% | RTB 12/04/22 | 11.96% |
| FXTN 03/12/24 | 6.07% | FXTN 04/21/23 | 7.48% |
| | | FXTN 09/10/23 | 5.84% |
| Equity Pool | | | |
| SM INVESTMENTS CORPORATION | 14.46% | | |
| Manulife Equity Wealth Fund Class I | 10.58% | | |
| SM PRIME HOLDINGS INC | 10.03% | | |
| AYALA LAND INC | 9.16% | | |
| AYALA CORPORATION | 6.77% | | |

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 91.82% Equities, 8.08% Long term bonds, 0.1% 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.

Peso Wealth Optimizer Fund 2031

Market Review

The PSEI was up 2.8% MoM to 6,794.86 in February after posting a 7.4% MoM decline in January 2021. Most of the gains were in the earlier part of the month and was pared down by continued delayed in vaccine deliveries and steadily rising Covid-19 cases.

We continued to see foreign outflows in February with net outflow of \$193Mn. Foreign participation remained low at 26% in February, flattish compared to around 25% in January and below 40% of total market turnover last year.

In last week of February, the average daily new Covid Cases reached 2,000, around 20% higher compared to earlier part of February. Meanwhile, Metro Manila remained under General Community Quarantine in February. Initially, Metro Manila mayors were inclined to let teenagers between 15 to 17 years old to go outside their homes. However, with the recent surge in new cases, this was retracted in March. According to the government, they were considering moving Metro Manila into Modified General Community Quarantine by April if the country in light of the scheduled vaccine delivery in March. However, the move towards MGCQ is unlikely if the country is unable to curb the current surge and encounter issues on vaccine deployment.

The country's inflation rate accelerated to 4.7% last February from 4.2% in January (and 3.5% in December 2020). The uptick was mostly due to select food items such as meat which prices were elevated due to supply constraints brought by the African Swine Fever. Note that prices of vegetables and fruits were also up from last year. Meanwhile, fish prices trended higher due to the reduced supply with the end of the fishing season. Higher input prices could have a negative effect on margins especially for the consumer companies focused on food.

January inflation printed at 4.3%, much higher than consensus expectations of 3.5%, leading to the Philippines' highest inflation print in 2 years. While the Bangko Sentral ng Pilipinas (BSP) is quick to note that this is transitory and due to supply side disruptions relating to the recent typhoons and the African swine flu, they have revised the 2021 inflation forecast higher from 3.4% to 4.0%.

On the debt borrowing, the Bureau of Treasury announced a new 3-year Retail Treasury Bond (RTB), which introduced supply risk to the local bond market. The short tenor and flush market liquidity indicate a jumbo-sized issuance similar to the RTB issuances in 2020.

Outlook

Our thesis for a recovery this year remains unchanged, barring a sustained surge in COVID-19 cases. Although mobility remains restricted given that Metro Manila remains in a General Community Quarantine, the delivery and administration of vaccines could help not only curb the spread but also help further reopen more industries. Note that the PSEI is lagging its peers in the region, down 5.4% YTD while other markets such as Indonesia, Thailand, and Malaysia are all up in the same period.

We continue to prefer for cyclical sectors that would be beneficiaries of the economic recovery expected this year as the country continues to reopen. These include banks and property stocks, as well as consumer discretionary plays. Small cap names are also looking to be attractive once more should investors shift their preference to growth stocks as risks related to COVID dissipate.

In the current environment of uncertainty over inflation and additional bond supply, investors are cautious with a bias towards selling bonds. We expect the tentative sentiment to persist given the lack of downward drivers as the BSP is expected to keep policy rates steady in the first half of 2021. On the global front, further uptick in US Treasury yields on euphoria over the improvement in the US economy, will likely continue to add to the upward pressure on local bond yields. Against this backdrop, our funds are positioned defensively, holding a shorter duration position vis-a-vis the benchmark, to withstand the possible higher bond yields that could be in the horizon in the near term.

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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