

Peso Wealth Optimizer Fund 2031

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 132.22 million | Fund Currency Philippine peso | Dealing/Valuation Daily |
| Price (NAV/unit) PHP 1.035 | Management Fee 2.25% per annum (of which 0.18% will go to the investment advisor, MAM Hong Kong Ltd.) | Bloomberg Ticker MPPHWFN | |

Performance Return (October 31, 2019)

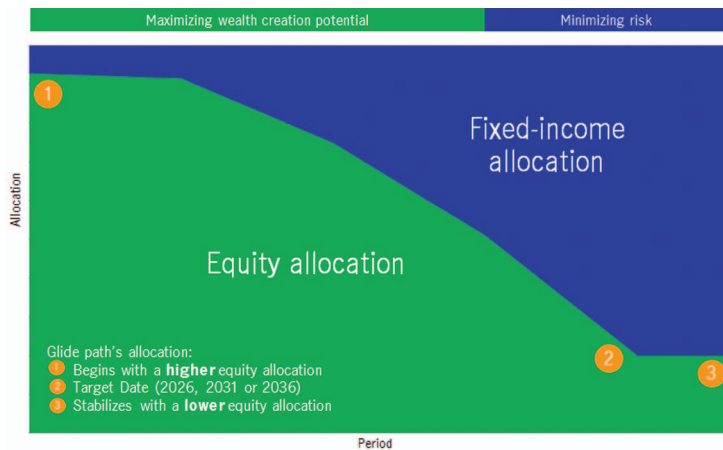
| Peso Wealth Optimizer Fund 2031 (net of management fee) | 1 Month | YTD | 1 Year | 3 Years | 5 Years | Since Inception |
|--|---------|-------|--------|---------|---------|-----------------|
| Absolute | 2.07% | 6.70% | 11.53% | 5.40% | n.a. | 3.50% |
| Annualized | n.a. | n.a. | 11.53% | 1.77% | n.a. | 1.02% |

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

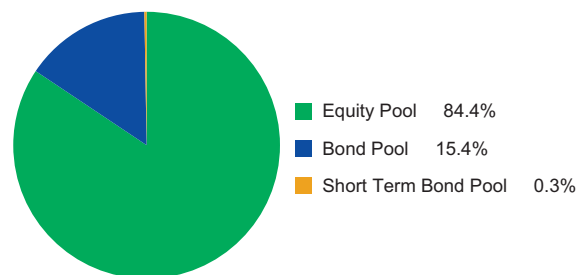
Top Five Holdings

| Bond Pool | | Short-Term Bond Pool | |
|--------------------------------------|-------|-------------------------------------|-------|
| FXTN 03/12/24 | 19.3% | Manulife Stable Income Fund Class I | 32.1% |
| RTB 12/04/22 | 15.5% | FXTN 01/26/22 | 18.0% |
| RTB 06/13/21 | 6.4% | RTB 06/13/21 | 14.0% |
| FXTN 04/21/23 | 5.8% | FXTN 01/19/22 | 11.4% |
| Manulife Income Builder Fund Class I | 5.3% | FXTN 03/20/21 | 5.6% |
| Equity Pool | | | |
| Manulife Equity Wealth Fund Class I | 12.3% | SM Prime Holdings | 8.7% |
| SM Investments | 12.0% | BDO Unibank | 7.7% |
| Ayala Land | 9.2% | | |

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 local stock market index (PSEI) closed at 7,977, up 2.5% for the month of October. Markets reacted positively after the U.S. and China appeared to have reached some common ground during high-level trade negotiations in Washington. A partial trade deal is currently being worked out between the two countries. On the macro front, Philippine inflation continued to ease in October with a 0.8% reading. Inflation was driven by the continued decline in the heavily-weighted food and non-alcoholic beverages and transportation indices at -0.9% and -1.7%, respectively. This is consistent with the BSP's outlook that inflation has likely bottomed out in October and could start to pick up slightly in the following months as base effects start to dissipate. Food prices continued to decline despite African Swine Flu cutting the country's pork supply as consumers shifted to consuming more chicken and beef instead. With inflation well under control, the Philippine Central Bank announced another cut in reserve requirement ratios (RRR) effective December. This would be the 4th 100bps cut in reserve requirement this year, which would bring down the RRR to 14%.

The PSEI may likely find a positive catalyst in the near-term through the upcoming third quarter earnings season to help sustain its momentum above the 8,000 level. Philippine corporates are expected to deliver continued strong earnings growth of 16% for 2019. Furthermore, the overhang on the market caused by the IPOs scheduled for the remainder of the year has been greatly reduced. The supposed IPO of Metro Pacific's hospital chain, estimated at USD1.6bn got cancelled after the company decided to take a private sale route instead. As such, the market may strengthen on the news as investors redeploy raised cash in preparation for the deal. Lastly, the market environment continues to be accommodative of growth with the continuous decline in bond yields and banks' reserve requirements. 10-year bond yields were relatively unchanged month-on-month prior to the BSP's RRR cut announcement, suggesting price discovery has been fully achieved for the bond market. With the BSP's RRR cut set in December, all the Central Bank's plans for the remainder of the year have been laid out and therefore could result to minimal bond market movements for the remainder of the year.

Local peso bond yields experienced a slow grind downwards in October as expectations of the liquidity infusion from the total 2% reserve ratio requirement (RRR) cut in November and December come into play. Investors also positioned ahead of the large FXTN 7-56 maturity and purchased local bonds.

Outlook

Looking forward to 2020, we remain optimistic of the Philippine economy which should continue to be insulated from a global slowdown should trade war woes reemerge. 2020 economic growth will be mainly driven by government spending recovery due to the spillover of the national budget to next year, as well as favorable base effects from the 2019 budget delays. Corporate earnings are likewise expected to be healthy and expected to grow at a double-digit pace. The portfolio is tilted towards the banking and property sectors in anticipation of renewed infrastructure developments, which should result to higher funding demand and better real estate prices.

While October inflation came in at 0.8% as expected, 3Q GDP surprised on the upside at 6.2%, beating market estimates. With the improved government spending coupled with stable consumption, the possibility that the Philippines full year GDP could breach 6% is revived. Against this backdrop, we remain positive on the peso bond market and favor the belly part of the curve as we expect the Bangko Sentral ng Pilipinas to keep policy rates unchanged for the remainder of 2019.

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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