Manulife

August 31, 2023

Peso Wealth Optimizer Fund 2036

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 239.90 million	**Fund Currency** Philippine peso	**Dealing/Valuation** Daily
Price (NAV/unit) PHP 0.831	**Management Fee** 2.25% per annum (of which 0.18% will go to the Investment advisor, Manulife Investment Management (HK) Limited.)		**Bloomberg Ticker** MPPHWTY

Performance Return (August 31, 2023)

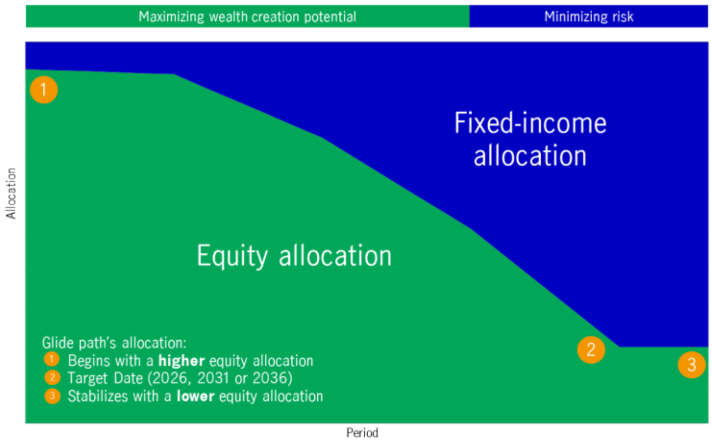
Peso Wealth Optimizer Fund 2036 (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-5.68%	-3.60%	-3.15%	5.99%	-18.53%	-16.90%
Annualized	n.a.	n.a.	-3.15%	1.96%	-4.02%	-2.53%

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

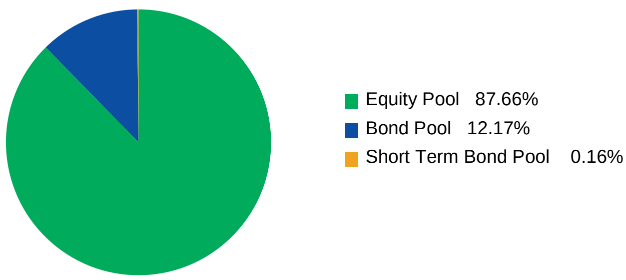
Bond Pool		Short-Term Bond Pool	
FXTN 03/04/27	13.52%	Manulife Stable Income Fund Class I	36.25%
FXTN 08/12/25	11.11%	Manulife Money Market Fund Class I	18.03%
FXTN 09/09/25	6.73%	FXTN 08/12/25	10.06%
FXTN 04/08/26	6.68%	FXTN 02/14/26	8.87%
Manulife Income Builder Fund Class I	5.55%	FXTN 04/08/26	8.16%

Equity Pool	
SM INVESTMENTS CORPORATION	13.64%
SM PRIME HOLDINGS INC	9.28%
Manulife Equity Wealth Fund Class I	9.12%
BDO UNIBANK INC	8.81%
BANK OF THE PHILIPPINE ISLANDS	7.89%

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 93.32% Equities, 6.6% Long term bonds, 0.08% 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 2036

Market Review

The Philippine Stock Equity index (PSEi) was down 6.3% in August, ending at 6,175 level. The weakness was on account of a disappointing GDP growth for the second quarter of 2023 which stood at 4.3%, well below consensus forecast of 6%. Second quarter GDP was also down vis-à-vis the first quarter GDP growth of 6.4%.

More on local GDP results, consumption expenditure growth stood at 5.5% which is a deceleration from 6.4% in the first quarter of 2023. In addition, most of the disappointment in the GDP results came from both the contraction in government expenditure and private investments which came in at -7.1% and -0.4%, respectively. On the other hand, we saw an improvement in trade deficit with exports grew by 4.1% while import grew by just 0.4% for July. The services sector continues to be the sole contributor to GDP growth on account strong growth from motor vehicle sales, transportation, and discretionary food services.

August consumer price index ("CPI") rose by 5.3% year-on-year, although this is within the Bangko Sentral ng Pilipinas' expectations for the month, this is clearly above consensus forecast of 4.7% and an acceleration from the July CPI of also 4.7%. August CPI shows an increase of 1.1% month-on-month, its highest monthly change since January 2023. The main driver for faster inflation includes rising prices of food specifically rice and transportation.

On local corporate news, the Department of Environment and Natural Resources confirmed that all 22 reclamation projects in the Manila Bay were suspended pending a review of each reclamation project's environmental and area compliance certificates. The DENR suspension came after an announcement made by President Marcos Jr. that all but one reclamation project in Manila Bay would be put under review for any environmental and social impact of these reclamation projects.

The local yield curve steepened in August with yields at the short-ends and belly slightly declining as the disappointing GDP print in the second quarter dampened expectations of another rate hike from the Bangko Sentral ng Pilipinas (BSP) this year. However, the inflation print of 5.3% in August highlighted upside risks to inflation, putting the BSP in a tough position with rate hike bets back on the table. With the latest inflation print, BSP may raise this year's inflation forecast further from the current forecast of 5.6%.

Outlook

We have a positive view on Philippine Equities as the macroeconomic environment continues to improve and as PSEi continues to trade at a very attractive 11x PER valuations. In the near term, we could see share price volatility coming from the weak economic data as an opportunity to accumulate in the equities market. We continue to think that the supply side concerns that is affecting food prices such as rice is transitory in nature and the government are taking steps to cap the increase. This view is consistent with the Bangko Sentral ng Pilipinas' ("BSP") view on inflation which should fall between their target of 2-4% in the next two quarters. Moreover, we think that the BSP under the leadership of its new governor, Mr. Remolona is ready to tighten monetary policy if inflation continues to remain a concern for the remainder of 2023.

Recent developments have made the local bond market more challenging, further delaying the rally we have been anticipating earlier this year. Nevertheless, we still find current bond yields attractive as our expectations of slowing inflation and rate cuts next year remain intact. We will continue to watch out for upside risks to inflation, particularly the potential effects of El Nino and the recent increase in oil prices.
