Manulife China Bank Life Assurance Corporation

a subsidiary of: Manulife

an affiliate of: CHINABANK

# 2016 VARIABLE UNIT-LINKED FUNDS

## ANNUAL PERFORMANCE REPORT
## AS OF DECEMBER 31, 2016

Contents

# About Manulife China Bank Life Assurance Corporation

Manulife China Bank Life Assurance Corporation is a strategic alliance between Manulife Philippines and China Bank, providing a wide range of innovative insurance products and services to China Bank customers. The aim is to ensure that every client receives the best possible solution to meet his or her individual financial and insurance needs. In 2014, China Bank raised its equity stake to 40% in Manulife China Bank Life, its bancassurance joint venture with Manulife Philippines.

Manulife Philippines is a wholly-owned domestic subsidiary of Manulife Financial Corporation, among the world's largest life insurance companies by market capitalization. Manulife is a leading Canada-based financial services group with principal operations in Asia, Canada, and the United States. We provide strong, reliable, trustworthy and forward-thinking solutions for our customers' significant financial decisions. Our international network of employees, agents and distribution partners offers financial protection and wealth management products and services to millions of clients. At the end of 2016, we had C$977 billion (US$728 billion) in assets under management and administration.

China Bank was established in 1920, was listed on the Philippine Stock Exchange in 1947, became the first bank in Southeast Asia to process deposit accounts on-line in 1969, the first Philippine bank to offer phone banking in 1988, and acquired its universal banking license in 1991. China Bank serves the banking needs of corporate, commercial, and retail markets and provides a wide range of banking services through its more than 300 branches and business centers, and over 500 ATMs nationwide, complemented by its internet and mobile banking alternative channels. With nine decades of enduring partnerships marked by quality service to its clients, and now the fifth largest universal bank in terms of assets, China Bank remains to be one of the most respected, trusted, and stable financial institutions in the country.

# VARIABLE UNIT LINKED FUNDS

## Net Asset Value (in Php Thousands)

as of December 31

| | 2016 | 2015 |
|---|---|---|
| Peso Target Distribution | 4,900,111 | 2,918,746 |
| Peso Growth | 4,598,036 | 4,174,707 |
| Peso Dynamic Allocation | 3,784,275 | 3,449,481 |
| Peso Secure | 2,761,126 | 2,819,291 |
| Peso Diversified Value | 2,285,012 | 2,202,420 |
| Peso Equity | 206,086 | 208,848 |
| Peso Target Income | 155,894 | 118,147 |
| Peso Bond | 152,054 | 164,851 |
| Peso Balanced | 98,911 | 104,459 |
| Peso Stable | 79,924 | 86,113 |
| Peso Cash | 30,322 | 30,498 |
| Wealth Optimizer 2026 | 56,833 | n/a |
| Wealth Optimizer 2031 | 8,625 | n/a |
| Wealth Optimizer 2036 | 4,458 | n/a |
| Global Target Income | 1,820,029 | n/a |
| USD ASEAN Growth | 1,195,649 | 1,190,995 |
| USD Secure | 804,789 | 761,321 |
| USD Asia Pacific Bond | 462,110 | 504,890 |
| USD Bond | 138,377 | 150,146 |
| USD Wealth Premier | 65,546 | 220,839 |
| **TOTAL** | **23,608,167** | **19,105,752** |

*in Philippine Peso*

# MARKET REVIEW AND OUTLOOK

## PESO BOND

### Market Review

The year 2016 was beset with various black swan events, which include the surprise vote of the United Kingdom electorate to exit from the European Union ("Brexit") and the unexpected results of the US presidential elections. Both events triggered portfolio outflows from emerging markets, including the Philippines amid uncertainty on their global economic implications. The highly anticipated follow-up rate hike of the US Fed, which eventually materialized in December also caused US Treasury bond yields to drift higher, exerting upward pressure on peso government bond yields. The investors' sentiment was also undermined by the weakening of the peso, which depreciated by around 5% year-on-year, as the US dollar maintained its strengthening bias vis-à-vis emerging market currencies. These factors stoked volatility in the local bond market, pushing bond yields higher year-on-year.

Risk aversion prevailed in the local bond market despite the stellar performance of the local economy. The Philippine economy expanded by 7% year-on-year in the first nine months of the year, demonstrating its resilience amid a continually challenging global environment. Rising investment cycle and solid domestic demand, supported by favorable demographics, stable OFW remittances and growing BPO workforce, allowed the Philippines to carve its niche as one of the fastest growing economies in the region. Despite strong economic growth, inflation stayed well within the target range of the Bangko Sentral ng Pilpinas (BSP), the local central bank, providing room for the BSP to keep its monetary policy accommodative to promote economic growth.

*Risk aversion prevailed in the local bond market despite the stellar performance of the local economy. The Philippine economy expanded by 7% year-on-year in the first nine months of the year, demonstrating its resilience amid a continually challenging global environment.*

### Market Outlook

Although new challenges abound for emerging market economies such as the Philippines, the underlying structural factors supporting the strength of domestic demand are expected keep the local economy buoyant. The country's lower dependence on external demand compared to its Asian peers and its healthy gross international reserves also reduce its vulnerability to external headwinds. We believe that the current administration's economic agenda, which reflects its expansionary fiscal policy and commitment to accelerate infrastructure investments, are supportive of more broad-based and job-creating economic growth.

While the looming implementation of inward-looking US economic policies has engendered a guarded outlook on the BPO sector and OFW remittances, we believe that the potential adverse implications of US protectionist policies on the local economy are mitigated by the favorable cost structure of the BPO sector, the high proportion of Filipinos with permanent status in the US and the geographically dispersed locations of overseas Filipino workers. In addition, the continual formation of domestic liquidity, which is underpinned by around US$ 40 billion of annual flows from OFWs and the BPO sector, would help smoothen abrupt upticks in peso bond yields as external developments ignite bouts of heightened market volatility. In preparation for a possible rise in peso bond yields, we shall continue to position our portfolios defensively, favoring the more liquid securities and shorter-dated bonds.

## ROP BOND

Market Review

2016 was a tale of two halves for the U.S. dollar denominated bonds of the Republic of the Philippines ("ROP bonds"). The first half of the year was ostensibly calm with the combination of a dovish U.S. Federal Reserve (Fed) and the accommodative monetary policy of other influential central banks providing a lift to ROP bond prices despite lingering global growth concerns and the uncertain global implications of the United Kingdom (UK) electorate's surprise decision to leave the European Union (EU), otherwise known as "Brexit". However, the lull in market volatility was not sustained following a torrent of events that included less potent stimulus measures from the European Central Bank and Bank of Japan, the unexpected results of the US elections and the shift in the forward guidance of the Fed, which strengthened expectations of a follow-up rake hike that eventually materialized in December. The crosscurrents of these events drove ROP prices lower in the second half of the year. After the Fed put a stopper on its quantitative easing cycle and hiked rates in 2015, market players initially expected that the Fed would tighten at a faster pace in 2016 despite the stance of other major central banks to keep interest rates low to stimulate economic growth in their respective countries. However, the uneven U.S. economic data and low inflation kept the Fed from accelerating the pace of monetary tightening. Moreover, the Brexit triggered rotational flows in favor of Asia Emerging Market ("Asia EM") bonds on the back of expectations that Asia EM would be less vulnerable to a UK economic downturn. The combination of these factors supported ROP bond prices.

Risk-off sentiment however surfaced in the second half of the year as the prospects of an end to low interest rates loomed on the back of less impressive stimulus measures of other major central banks and the shift in the tone of Fed statements, which indicated an imminent rate hike. The higher fiscal spending bias of the incoming US administration also triggered expectations of higher bond supply, which pushed yields of US Treasuries higher, creating upward pressure on the yields of other emerging market bonds, including ROPs.

*Risk-off sentiment however surfaced in the second half of the year as the prospects of an end to low interest rates loomed on the back of less impressive stimulus measures of other major central banks and the shift in the tone of Fed statements, which indicated an imminent rate hike.*

Market Outlook

We expect market volatility to stay elevated amid uncertainties in the global markets. Investors have yet to fully appreciate the implications of the protectionist policies of the US administration given lack of implementation details. The unknown effect of Brexit remains an overhang on EU member states, with the added concern that France, Italy or the Netherlands could follow UK's footsteps. Finally, while a divergent monetary policy framework is still on the table, investors seem wary that other central banks are running low on monetary policy ammunition. In light of these uncertainties, we shall continue to actively manage the portfolio's duration to take advantage of potential price upticks in ROPs and to mitigate the impact of a possible abrupt rise in yields that could be triggered by market-moving external developments.

## PHILIPPINE EQUITY

Market Review

The local stock market index (PSEI) closed the year at 6,840, down by 1.6%, driven lower mainly by sustained foreign outflows during the latter part of 2016, a volatile trading year filled with unexpected events. Negative economic data from China rocked global markets during the early part of 2016, stoking further the cautious sentiment engendered by the uncertainty brought about by the Philippine national elections. This pushed down the PSEI by as much as 12.5% before market sentiment got a lift from supportive monetary policy from Europe and Japan. The market then surged by as high as 16.5% for the year on the back of the optimistic outlook on the possible positive structural changes that could materialize under the new administration. The bullish market sentiment provided a strong counterbalance to the initial shock triggered by the United Kingdom's referendum that favored an exit from the European Union (the "Brexit"). However, a confluence of factors including political headwinds, particularly the unexpected results of the US presidential elections, the weakening of the local currency and the US interest rate hike in December disconcerted investors. These factors triggered foreign outflows, which reduced net foreign buying from more than US$1 billion to US$83 million for the year.

Market Outlook

The Philippine market's valuation has become more appealing following the sharp decline in prices despite corporate earnings growth of 8.9% in 2016 and robust GDP growth of 7% year-on-year in the first nine months of 2016. Looking forward, we expect market sentiment to stay cautious given the potential continued weakness of the local currency as the US economic outlook improves and the possibility of more US interest rate hike looms. However, potential positive catalysts could come from tangible progress on tax

*Looking forward, we expect market sentiment to stay cautious given the potential continued weakness of the local currency as the US economic outlook improves and the possibility of more US interest rate hike looms.*

reforms and infrastructure investments, particularly if they result in upward revisions in corporate earnings growth estimates, which are currently at 8%-10%. In line with expectations of acceleration of infrastructure investments and higher fiscal spending, we shall keep our bias in favor of infrastructure and banking sectors and select companies in the consumer sector that are expected to reap higher benefits from robust domestic consumption.

## ASEAN EQUITY

Market Review

The MSCI South East Asia Small Cap Index ('benchmark') returned 11.13% (in US dollar terms) in 2016. With the exception of Malaysia (down 4.02%), all benchmark constituents posted positive returns. The best performing benchmark constituent for the year was Thailand (up 28.21%).

The ASEAN region withstood a volatile period marked by the vote for Britain to exit the European Union; the strengthening dollar and higher bond yields; the U.S. elections and its surprising results; and the US Federal Reserve (Fed) rate hike overhang. The equity market was supported by the normalization of commodity and oil prices with 11 non-OPEC countries agreeing to cut production in November. It was also supported by Asian central banks' pledge to encourage growth through easier monetary policies and guidance. In December, the Fed raised interest rates by 25 basis points for the second time, post-global financial crisis. During the year, there has been a notable improvement in manufacturing Purchasing Managers' Indices (PMI) across Asia and a recovery in exports in some countries.

Singapore's third quarter gross domestic product (GDP) expanded by 1.1% year-on-year as the improvement in manufacturing was offset by a slowdown in services. Industrial production in November increased above expectations, driven by strong biomedical and electronic output.

Bank Indonesia cut its benchmark interest rate by 25 basis points in October, the sixth time during the year. The country's second phase of the tax amnesty program has ended, where additional revenues amounted to IDR14.1tn (for a total of IDR103.3tn). Indonesia temporarily suspended its membership in OPEC as the proposed supply cuts will be lower than the production budget for FY2017.

Thailand was the best performing market during the period due to strong foreign inflows, robust tourism, and high infrastructure spending. In July, the majority of referendum voters backed the draft constitution written by the ruling government's committee. Malaysia's third quarter GDP increased by 4.3% year-on-year due to strong exports. The central bank surprisingly cut the overnight policy rate in July for the first time since early 2009.

Meanwhile, the Philippines' third quarter GDP grew better-than-expected at 7.1% year-on-year—its fastest in three years and among its peers in Asia. Its growth performance was driven by the country's robust domestic consumption and growth in investments. The newly-elected Philippine President took a four-day visit to China in October to strengthen bilateral relations and signed trade deals worth US$24bn.

Market Outlook

In 2017, we anticipate the higher energy prices and a stronger USD to shape the market outlook—with the latter leading to an inflationary environment. Against this backdrop, interest rates in the US are expected to trend higher, while interest rates in Asia ex-Japan economies are expected to remain relatively stable in the near-to-medium term.

The pace of depreciation of the Chinese RMB remains a key factor to watch out for. There is a risk that the currency may plummet further and its effects may ripple throughout the region. That said, over the longer term, we believe the fundamentals of the Chinese economy should provide support to the RMB and any panic reaction should be short-lived.

The outlook for Southeast Asia, particularly Indonesia, is expected to improve further in 2017. The government of Indonesia has made good progress in reforms and the country's economy is more resilient to external shocks compared to the first taper tantrum. The oil price recovery should also provide some relief to Malaysia's fiscal position, and an imminent election should provide near-term support to economic activities. While we remain positive on the outlook of Thailand's economy, many of the small and mid-cap stocks in the market are trading on rich valuations. Thus, we have turned more cautious on this market and will strictly adhere to our investment process when investing.

*In 2017, we anticipate the higher energy prices and a stronger USD to shape the market outlook—with the latter leading to an inflationary environment.*

## ASIA PACIFIC BOND

Market Review

In the US, 10-year Treasury yield temporarily fell below 1.50% because of rotational flows to safe haven securities, as investors become wary about the potential global economic repercussions of the UK electorate's vote to leave the European Union. However, US Treasury (UST) yields eventually rose as the prospects of higher interest rates came to the fore because of the change in forward guidance of the US Federal Reserve (Fed) and the uncertain implications of the economic and fiscal policy biases of the incoming US president. Investors anticipated a potential increase in the borrowing requirements of the US government given the expansive fiscal spending plans of the new administration. This triggered expectations of potentially higher inflation, which could support a faster pace of Fed rate hikes. The Fed eventually increased its federal funds target range by 25 basis points to 0.50%-0.75% in December. The sharp rise in UST yields heightened market volatility globally and pushed Asian bond yields across the region to retrace to higher levels towards the end of the year. However, some markets bucked the trend of higher interest rates. In Indonesia, bond yields fell over the period as the central bank cut its interest rate six times amid improved inflation conditions. In India, bond yields slid as the Reserve Bank of India cut its key interest rates twice to support the economy as inflation abated. The Indian government announced the demonetization of large denomination notes, which led to a surge of liquidity in the banking system and an increase in bond investments from banks.

Asian credit markets had a positive year as Asian credit spreads tightened. The JPMorgan Asian Investment Grade Corporate Bond Index returned 3.87% in US dollar terms.

The performance of Asian currencies was mixed against the US dollar. The Indonesia rupiah was one of the better performing currencies on the back of expectations of higher capital inflow given the country's improving economic fundamentals. In addition, the Indonesian parliament approved a tax amnesty bill which could attract inflows of US$40-US$50 billion based on market estimates. The Chinese renminbi struggled amid concerns over a slowing economy.

Market Outlook

We believe that the investors' reaction post the US elections reflected strong assumptions for many economic and fiscal policies

*Asian credit markets had a positive year as Asian credit spreads tightened. The JPMorgan Asian Investment Grade Corporate Bond Index returned 3.87% in US dollar terms.*

that will only be clarified as the year unfolds. Once investors had the chance to digest the impact of implemented policies, there may be a recalibration of the extreme moves seen in global bond markets, including Asia.

Nevertheless, fundamentals are supportive for Asian bonds markets. In particular, India and Indonesia are still at a higher reference interest rate than previous cycles, giving the central banks of these countries more room to cut rates further, which could help their bond markets to deliver positive performance. Asian credit spreads are currently tight relative to historical levels but are supported by a strong technical bid in the region while leverage levels are manageable. Possible widening of credit spreads could present attractive entry points for investors. Meanwhile for currencies, we are expecting a strong US dollar environment to persist. We are therefore on the lookout for opportunities to be underweight on selective Asian currencies, such as the Korean won and Taiwan dollar.

*Source: Bloomberg, Manulife Asset Management; 31 December, 2015.*

## GLOBAL ASSET ALLOCATION

Market Review

Global equities had a significant gain in 2016 with the MSCI World Index recording a return of 8.15%. In the first half of 2016, markets were supported by accommodative monetary policies. In January, the Bank of Japan surprised the market by implementing further quantitative easing in the form of negative interest rates. The European Central Bank, meanwhile, expanded the stimulus program as well as delivered interest rate cuts in March.

As the markets progressed into the second half of the year, two notable political events made a significant impact. First was the unprecedented British exit (or "Brexit"), which saw the UK voting to leave the European Union. Then in November, the US presidential election result caused market turmoil with Asian markets initially plummeting. However as investors digested the news, global markets quickly reversed on the back of the potential fiscal stimulus programs that president-elect Donald Trump may introduce. Overall, within the equities market, US equities were the best performing asset class with the S&P 500 Index returning 11.95% in 2016.

With the continual improvement in the economy, the Federal Reserve raised the federal funds rate target by 0.25% to a range of 0.50% to 0.75% in December. The combination of a more accommodative monetary policy outside of the US and the rate hike of 0.25% in the US resulted in a 2.09% gain of the Bloomberg Barclays Global Aggregate Index in 2016. Within the fixed income market, the risk-on environment has led high yield assets to outperform. The Markit iBoxx USD Liquid High Yield Index registered a 15.31% return in 2016.

In terms of the commodities market, oil bounced back in 2016. It was supported by the wildfire in Canada, instability in Venezuela, and the production cut between OPEC members and Russia in November. The WTI Crude Oil Price closed at $54 per barrel in 2016, a 46% increase from $37 per barrel at the end of 2015.

Market Outlook

Looking ahead, we remain concerned about equity's expensive valuations and the waning efficacy of monetary policy. We continue to be of the view that the scenario of another structural bull market requires both a significant re-rating of equity, and a marked improvement in the earnings outlook.

A meaningful re-rating requires the major central banks to keep policy ultra-easy without a notable deterioration in the global economy. A marked upgrade in the earnings outlook requires significant improvements on revenue growth and/or margins expansion. Although the scenario of achieving both is not our central case, Trump's victory in the US elections may have improved the corporate earnings outlook. However, given how markets have swiftly priced in that upside and how little clarity there is regarding what Trump will do on the fiscal stimulus front, we want to stay nimble with respect to maintaining our equity overweight.

We believe that equity over time does offer better yields than fixed income. While we are optimistic about equity, our focus is on controlling downside risks and prudently allocating within the equity asset class. We prefer regions where there is sustainable support from economic growth; shareholder returns have room to improve; and earnings are more stable and less susceptible to any policy headwinds under Trump.

*We continue to be of the view that the scenario of another structural bull market requires both a significant re-rating of equity, and a marked improvement in the earnings outlook.*

In terms of fixed income, we are cautious about asset class because of the view that a better outlook for US/global economic growth and higher inflation should detract fixed income's attractiveness relative to equity. Trump's debt-prone attitude may add pressure over the long term for US Treasuries, in particular.

Despite the recent pickup in global bond yields, absolute yield levels remain very subdued. This makes duration risk elevated and the fixed income asset class (in aggregate skewed toward government bonds) still unattractive on a valuation basis. This is a key reason why we prefer higher-yielding corporate credit on a relative basis. That said, fixed income plays an invaluable role for downside protection, given our expectation that the policy uncertainty brought about by the new US administration fattens, not just the right tail but also the left tail of the economic growth distribution.

Outside of the US, we expect global economic growth to be modest (at best). We also expect dis-inflationary risks to be hardly eliminated outside of the US.

# PESO BOND FUND

## INVESTMENT OBJECTIVE

The Fund seeks to achieve a stable and long-term growth by investing in government securities and/or high quality corporate debt securities, and/or pooled fund/s that invest in these securities and other liquid fixed income instruments.

## FUND PERFORMANCE


## HISTORICAL YIELD

| PERIOD | TOTAL RETURN |
|---|---|
| **Year-to-Date** | |
| Absolute | 0.67% |
| **Since Inception** | |
| Absolute | 81.10% |
| Annualized | 6.63% |

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.

## ASSET ALLOCATION

| Bond Pool | Short-Term Bond Pool |
|---|---|
| 89.7% | 10.3% |

## FUND INFORMATION

**INCEPTION DATE**
October 2007

**NET ASSET VALUE**
Php 152.05 million

**PRICE (NAV/UNIT)**
Php 1.811

**MANAGEMENT FEE**
1.50% per annum

## INVESTMENT OBJECTIVE

The Fund seeks to achieve long-term growth by investing in government securities and/or high quality corporate debt securities, stocks listed on the Philippine Stock Exchange, and/or in pooled fund/s that invest in these securities and other liquid fixed income instruments.

## FUND PERFORMANCE


## HISTORICAL YIELD

| PERIOD | TOTAL RETURN |
|---|---|
| **Year-to-Date** | |
| Absolute | 0.51% |
| **Since Inception** | |
| Absolute | 76.70% |
| Annualized | 6.35% |

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.

## ASSET ALLOCATION

| Bond Pool | Equity Pool | Short-Term Bond Pool |
|---|---|---|
| 60.3% | 18.8% | 20.8% |

## FUND INFORMATION

**INCEPTION DATE**
October 2007

**NET ASSET VALUE**
Php 79.92 million

**PRICE (NAV/UNIT)**
Php 1.767

**MANAGEMENT FEE**
1.75% per annum

# PESO EQUITY FUND

## INVESTMENT OBJECTIVE

The Fund seeks to achieve long-term capital appreciation by investing in stocks listed on the Philippine Stock Exchange, and government securities and/or pooled fund/s that invest in these securities and other liquid instruments.

## FUND PERFORMANCE


## HISTORICAL YIELD

| PERIOD | TOTAL RETURN |
|---|---|
| **Year-to-Date** | |
| Absolute | -2.06% |
| **Since Inception** | |
| Absolute | 99.90% |
| Annualized | 7.78% |

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.

## ASSET ALLOCATION

*Equity Pool* ▼

100%

## FUND INFORMATION

**INCEPTION DATE**
October 2007

**NET ASSET VALUE**
Php 206.09 million

**PRICE (NAV/UNIT)**
Php 1.999

**MANAGEMENT FEE**
2.00% per annum

## INVESTMENT OBJECTIVE

The Fund seeks to achieve long-term capital growth through investments in diversified portfolios of peso-denominated fixed income securities and securities listed on the Philippine Stock Exchange, and/or pooled fund/s that invest in these securities and other liquid fixed income instruments. It generally maintains a balanced allocation between fixed income and equity investments and may shift asset allocation between the two as risk/reward dynamics warrant but in no case shall the fund's equity or fixed income allocation exceed 70% of its assets.

## FUND PERFORMANCE


## HISTORICAL YIELD

| PERIOD | TOTAL RETURN |
|---|---|
| **Year-to-Date** | |
| Absolute | -1.68% |
| **Since Inception** | |
| Absolute | -0.30% |
| Annualized | -0.09% |

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.

** The 3% per annum payout rate is not guaranteed

## ASSET ALLOCATION

| *Equity Pool* | *Bond Pool* |
|---|---|
| 50.6% | 49.4% |

## FUND INFORMATION

**INCEPTION DATE**
July 2013

**NET ASSET VALUE**
Php 98.91 million

**PRICE (NAV/UNIT)**
Php 0.997

**MANAGEMENT FEE**
2.00% per annum

# PESO TARGET INCOME FUND

## INVESTMENT OBJECTIVE

The Fund aims to provide periodic payouts of up to 3% per annum** while providing the potential for capital appreciation and limiting the risk of capital erosion by investing in a diversified portfolio of fixed income and equity investments based on an active asset allocation strategy.

## FUND PERFORMANCE


## HISTORICAL YIELD

| PERIOD | TOTAL RETURN |
|---|---|
| **Year-to-Date** | |
| Absolute | -0.49% |
| **Since Inception** | |
| Absolute | -4.19% |
| Annualized | -1.82% |

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.

## ASSET ALLOCATION

| *Bond Pool* | *Equity Pool* | *Short-Term Bond Pool* |
|---|---|---|
| 61.8% | 20.3% | 17.9% |

## FUND INFORMATION

**INCEPTION DATE**
April 2014

**NET ASSET VALUE**
Php 155.89 million

**PRICE (NAV/UNIT)**
Php 0.900

**MANAGEMENT FEE**
2.00% per annum (of which 0.2% go to the investment advisor, MAM Hong Kong Ltd.)

## INVESTMENT OBJECTIVE

The Fund seeks to achieve a stable and long-term growth by investing in government securities, and/or high quality corporate debt securities, and/or pooled fund/s that invest in these securities, and other liquid fixed income instruments.

## FUND PERFORMANCE


## HISTORICAL YIELD

| PERIOD | TOTAL RETURN |
|---|---|
| **Year-to-Date** | |
| Absolute | 0.26% |
| **Since Inception** | |
| Absolute | 54.80% |
| Annualized | 5.83% |

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.

## ASSET ALLOCATION

| Bond Pool | Short-Term Bond Pool |
|---|---|
| 91.2% | 8.8% |

## FUND INFORMATION

**INCEPTION DATE**
April 2009

**NET ASSET VALUE**
Php 2.76 billion

**PRICE (NAV/UNIT)**
Php 1.548

**MANAGEMENT FEE**
1.75% per annum

# PESO DIVERSIFIED VALUE FUND

## INVESTMENT OBJECTIVE

The Fund seeks to achieve long-term growth by investing in government securities and/or high quality corporate debt securities, stocks listed on the Philippine Stock Exchange, and/or in pooled fund/s that invest in these securities and other liquid fixed income instruments.

## FUND PERFORMANCE


## HISTORICAL YIELD

| PERIOD | TOTAL RETURN |
|---|---|
| **Year-to-Date** | |
| Absolute | -0.06% |
| **Since Inception** | |
| Absolute | 74.00% |
| Annualized | 7.44% |

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.

## ASSET ALLOCATION

| Bond Pool | Equity Pool | Short-Term Bond Pool |
|---|---|---|
| 60.3% | 18.9% | 20.8% |

## FUND INFORMATION

**INCEPTION DATE**
April 2009

**NET ASSET VALUE**
Php 2.29 billion

**PRICE (NAV/UNIT)**
Php 1.740

**MANAGEMENT FEE**
2.00% per annum

## INVESTMENT OBJECTIVE

The Fund seeks to achieve long-term capital appreciation by investing in stocks listed on the Philippine Stock Exchange, government securities, and/or pooled fund/s that invest in these securities and other liquid instruments.

## FUND PERFORMANCE


## HISTORICAL YIELD

| PERIOD | TOTAL RETURN |
|---|---|
| **Year-to-Date** | |
| Absolute | -2.34% |
| **Since Inception** | |
| Absolute | 192.40% |
| Annualized | 14.92% |

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.

## ASSET ALLOCATION

*Equity Pool* ▼

100%

## FUND INFORMATION

**INCEPTION DATE**
April 2009

**NET ASSET VALUE**
Php 4.60 billion

**PRICE (NAV/UNIT)**
Php 2.924

**MANAGEMENT FEE**
2.25% per annum

# PESO DYNAMIC ALLOCATION FUND

## INVESTMENT OBJECTIVE

The Fund seeks to achieve long-term capital growth through investments in diversified portfolios of peso-denominated fixed income securities and securities listed on the Philippine Stock Exchange, and/or pooled fund/s that invest in these securities and other liquid fixed income instruments. It generally maintains a balanced allocation between fixed income and equity investments and may shift asset allocation between the two as risk/reward dynamics warrant but in no case will the fund's equity or fixed income allocation exceed 70% of its assets.

## FUND PERFORMANCE


## HISTORICAL YIELD

| PERIOD | TOTAL RETURN |
|---|---|
| **Year-to-Date** | |
| Absolute | -1.88% |
| **Since Inception** | |
| Absolute | -1.00% |
| Annualized | -0.29% |

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.

## ASSET ALLOCATION

| *Equity Pool* | *Bond Pool* |
|---|---|
| 50.6% | 49.4% |

## FUND INFORMATION

**INCEPTION DATE**
July 2013

**NET ASSET VALUE**
Php 3.78 billion

**PRICE (NAV/UNIT)**
Php 0.990

**MANAGEMENT FEE**
2.25% per annum

## INVESTMENT OBJECTIVE

The Fund aims to provide periodic payouts of up to 3% per annum** while providing the potential for capital appreciation and limiting the risk of capital erosion by investing in a diversified portfolio of fixed income and equity investments based on an active asset allocation strategy.

## FUND PERFORMANCE


## HISTORICAL YIELD

| PERIOD | TOTAL RETURN |
|---|---|
| **Year-to-Date** | |
| Absolute | -0.97% |
| **Since Inception** | |
| Absolute | -4.96% |
| Annualized | -2.16% |

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.

** The 3% per annum payout rate is not guaranteed

## ASSET ALLOCATION

| *Bond Pool* | *Equity Pool* | *Short-Term Bond Pool* |
|---|---|---|
| 61.8% | 20.2% | 18.1% |

## FUND INFORMATION

**INCEPTION DATE**
April 2014

**NET ASSET VALUE**
Php 4.90 billion

**PRICE (NAV/UNIT)**
Php 0.895

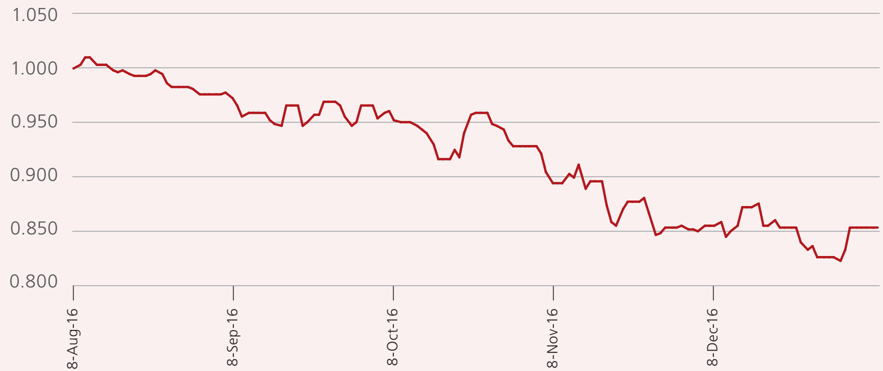
**MANAGEMENT FEE**
2.25% per annum (of which 0.2% go to the investment advisor, MAM Hong Kong Ltd.)

# PESO WEALTH OPTIMIZER FUND 2026

## INVESTMENT OBJECTIVE

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

## FUND PERFORMANCE




## HISTORICAL YIELD

| PERIOD | TOTAL RETURN |
|---|---|
| **Year-to-Date** | |
| Absolute | n.a. |
| **Since Inception** | |
| Absolute | -13.30% |
| Annualized | -13.30% |

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.

## ASSET ALLOCATION

| Bond Pool | Equity Pool | Short-Term Bond Pool |
|---|---|---|
| 21.9% | 77.6% | 0.5% |

## FUND INFORMATION

**INCEPTION DATE**
August 2016

**NET ASSET VALUE**
Php 56.83 million

**PRICE (NAV/UNIT)**
Php 0.867

**MANAGEMENT FEE**
2.25% per annum (of which 0.18% go to the investment advisor, MAM Hong Kong Ltd.)

# PESO WEALTH OPTIMIZER FUND 2031

## INVESTMENT OBJECTIVE

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

## FUND PERFORMANCE


## HISTORICAL YIELD

| PERIOD | TOTAL RETURN |
|---|---|
| **Year-to-Date** | |
| Absolute | n.a. |
| **Since Inception** | |
| Absolute | -13.90% |
| Annualized | -13.90% |

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.

## ASSET ALLOCATION

| Bond Pool | Equity Pool | Short-Term Bond Pool |
|---|---|---|
| 8.3% | 91.6% | 0.1% |

## FUND INFORMATION

**INCEPTION DATE**
August 2016

**NET ASSET VALUE**
Php 8.63 million

**PRICE (NAV/UNIT)**
Php 0.861

**MANAGEMENT FEE**
2.25% per annum (of which .18% go to the investment advisor, MAM Hong Kong Ltd.)

# PESO WEALTH OPTIMIZER FUND 2036

## INVESTMENT OBJECTIVE

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

## FUND PERFORMANCE


## HISTORICAL YIELD

| PERIOD | TOTAL RETURN |
|---|---|
| **Year-to-Date** | |
| Absolute | n.a. |
| **Since Inception** | |
| Absolute | -14.00% |
| Annualized | -14.00% |

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.

## ASSET ALLOCATION

| Bond Pool | Equity Pool | Short-Term Bond Pool |
|---|---|---|
| 6.8% | 93.1% | 0.1% |

## FUND INFORMATION

**INCEPTION DATE**
August 2016

**NET ASSET VALUE**
Php 4.46 million

**PRICE (NAV/UNIT)**
Php 0.860

**MANAGEMENT FEE**
2.25% per annum (of which 0.18% go to the investment advisor, MAM Hong Kong Ltd.)

# USD BOND FUND

## INVESTMENT OBJECTIVE

The Fund seeks to achieve long-term capital appreciation by investing in USD denominated sovereign and corporate debt securities and/or pooled fund/s that invest in these securities and other liquid instruments.

## FUND PERFORMANCE


## HISTORICAL YIELD

| PERIOD | TOTAL RETURN |
|---|---|
| **Year-to-Date** | |
| Absolute | 0.98% |
| **Since Inception** | |
| Absolute | 55.3% |
| Annualized | 4.88% |

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.

## ASSET ALLOCATION

*USD Bond Pool* ▼

**100%**

## FUND INFORMATION

| INCEPTION DATE | NET ASSET VALUE | PRICE (NAV/UNIT) | MANAGEMENT FEE |
|---|---|---|---|
| October 2007 | USD 2.78 million | USD 1.553 | 1.75% |

# USD SECURE FUND

## INVESTMENT OBJECTIVE

The Fund seeks to achieve long-term capital appreciation by investing in USD denominated sovereign and corporate debt securities and/or pooled fund/s that invest in these securities and other liquid instruments.

## FUND PERFORMANCE


## HISTORICAL YIELD

| PERIOD | TOTAL RETURN |
|---|---|
| **Year-to-Date** | |
| Absolute | 0.74% |
| **Since Inception** | |
| Absolute | 50.00% |
| Annualized | 5.40% |

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.

## ASSET ALLOCATION

*USD Bond Pool*

100%

## FUND INFORMATION

**INCEPTION DATE**
April 2009

**NET ASSET VALUE**
USD 16.19 million

**PRICE (NAV/UNIT)**
USD 1.500

**MANAGEMENT FEE**
2.00% per annum

# USD ASIA PACIFIC BOND FUND



## INVESTMENT OBJECTIVE

The Fund seeks to maximize returns from a combination of capital appreciation and income generation. The Fund primarily invest in diversified portfolio of fixed income securities, issued by governments, agencies supra and corporate issuers in the Asia Pacific region.

## FUND PERFORMANCE


## HISTORICAL YIELD

| PERIOD | TOTAL RETURN |
|---|---|
| **Year-to-Date** | |
| Absolute | 0.20% |
| **Since Inception** | |
| Absolute | -0.50% |
| Annualized | -0.10% |

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.

## ASSET ALLOCATION

| Government | Corporate | Cash |
|---|---|---|
| 68.21% | 31.57% | 0.22% |

## FUND INFORMATION

**INCEPTION DATE**
October 2011

**NET ASSET VALUE**
USD 9.28 million

**PRICE (NAV/UNIT)**
USD 0.9950

**MANAGEMENT FEE**
2.00% per annum (of which 0.6% will go to the investment manager)

# USD ASEAN GROWTH FUND

## INVESTMENT OBJECTIVE

The objective of this Fund is to generate long-term capital growth through investments in equity and equity-related securities of companies incorporated in countries which are members of ASEAN as well as companies incorporated outside ASEAN but with material exposure to ASEAN markets. The Fund may hold cash and fixed income instruments for liquidity management purposes.

## FUND PERFORMANCE


## HISTORICAL YIELD

| PERIOD | TOTAL RETURN |
|---|---|
| **Year-to-Date** | |
| Absolute | 8.00% |
| **Since Inception** | |
| Absolute | 2.60% |
| Annualized | 0.63% |

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.

## ASSET ALLOCATION

| *ASEAN Equities* | *Cash* |
|---|---|
| 94.60% | 5.40% |

## FUND INFORMATION

**INCEPTION DATE**
November 26, 2012

**NET ASSET VALUE**
USD 23.99 million

**PRICE (NAV/UNIT)**
USD 1.026

**MANAGEMENT FEE**
2.25% per annum (of which 0.9% will go to the investment manager)

# USD GLOBAL TARGET INCOME FUND

## INVESTMENT OBJECTIVE

The Fund seeks to deliver periodic distribution of up to 4.75%* p.a. while providing the potential for capital appreciation and limiting the risk of capital erosion. The Fund will invest promarily in a diversified portfolio of collective investment schemes (including exchange-traded funds (ETFs), real estate investment trust (REITs) and cash and cash equivalents.

## FUND PERFORMANCE


## HISTORICAL YIELD

| PERIOD | TOTAL RETURN |
|---|---|
| **Year-to-Date** | |
| Absolute | n.a. |
| **Since Inception** | |
| Absolute | -2.59% |
| Annualized | n.a |

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.

## ASSET ALLOCATION

| *Fixed Income* | *Equity* | *Cash* |
|---|---|---|
| 51% | 32.8% | 16.2% |

## FUND INFORMATION

**INCEPTION DATE**
6 June 2016

**NET ASSET VALUE**
USD 36.61 million

**PRICE (NAV/UNIT)**
USD 0.9550

**MANAGEMENT FEE**
2.25% per annum (of which 0.6% will go to the investment manager)

# USD WEALTH PREMIER 2023 FUND

## INVESTMENT OBJECTIVE

The Fund is designed to offer exposure to the Citi Octave USD Index (the "Index"), a proprietary Index developed and maintained by Citigroup Global Markets Limited ("CGML"), a wholly owned subsidiary of Citigroup, Inc. The Index was designed by CGML to offer exposure to various international equity markets and to provide volatility and drawdown control mechanisms that aim to limit the maximum decline of the Index to 20% of the highest value ever achieved by the Index from the launch date of the Fund until the maturity date of the Fund (2023).

## FUND PERFORMANCE

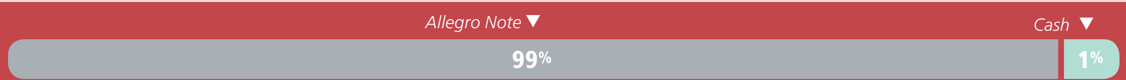

## HISTORICAL YIELD

| PERIOD | TOTAL RETURN |
|---|---|
| **Year-to-Date** | |
| Absolute | -3.45% |
| **Since Inception** | |
| Absolute | -16% |
| Annualized | -4.45% |

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.

*The Fund invests mainly in structured notes ("Notes") whose value is linked to the performance of the Index. The Note is issued by Allegro Investment Corporation S.A. ("Allegro"). The High Watermark Price refers to 80% of the highest unit price achieved by the Fund since its inception.

## ASSET ALLOCATION




## FUND INFORMATION

**INCEPTION DATE**
March 2013

**NET ASSET VALUE**
USD 1.32 million

**PRICE (NAV/UNIT)**
USD 0.84

**MANAGEMENT FEE**
2.80% per annum (of which 1.3% p.a. will go to CGML)

The Investment Funds ("Funds") mentioned in this document are specific to variable life insurance contracts and are not considered mutual funds. 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 Funds 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 Funds' 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 subject to any specified minimum guarantees. THE VARIABLE LIFE POLICYHOLDER SHALL BEAR ALL INVESTMENT RISKS. Past performance of the Funds is not necessarily indicative of future performance. Yields are not guaranteed. Yields indicated are after final tax and are exclusive of charges associated with the variable life policy.

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