

# ASEAN Growth Fund

An investment fund option for variable life insurance products of **The Manufacturers Life Insurance Co., (Phils), Inc.**

## 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 Information

<b>Inception Date</b> November 2012	<b>Fund Size</b> USD 60.96 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 1.488	<b>Management Fee</b> 2.25% per annum	<b>Bloomberg Ticker</b> MPUSAGF	
<b>Investment Fund Manager (the "Manager")</b> Manulife Investment Management (Hong Kong) Limited			

## Performance Return (February 28, 2021)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	4.06%	7.28%	23.59%	10.96%	58.80%	48.80%
Annualized	n.a.	n.a.	23.59%	3.53%	9.69%	4.93%

## Why ASEAN markets

- **We know the ASEAN markets well:** With presence in the key ASEAN-6<sup>#</sup> and Greater China markets, we have in-depth knowledge and understanding of the region.
- **An under-appreciated side of Asia:** ASEAN<sup>##</sup> markets' current growth and return opportunities are yet to be fully appreciated by the investment community.
- **Big market, young consumers:** With close to half the population of China, Southeast Asia's population of approximately 600 million constitutes a huge market with a perceived steadily increasing purchasing power. Observed rising income and high savings rates in the region highlight the potential to convert into investments and consumption.

<sup>#</sup>ASEAN-6 includes Singapore, Thailand, Indonesia, Vietnam, Malaysia and Philippines.

<sup>##</sup>Predominantly represented by Indonesia, the Philippines, Thailand, Malaysia, and Singapore

## Top Ten Holdings

	%
Comfortdelgro Corporation Limited	3.42
Com7 Public Company Limited NVDR	3.41
PT Aneka Tambang Tbk	3.25
Raffles Medical Group Ltd	3.15
R&B Food Supply Public Company Ltd NVDR	2.96
PT Ciputra Development Tbk	2.95
Uchi Technologies Bhd.	2.70
Century Pacific Food Inc.	2.67
Frasers Logistics & Commercial Trust	2.59
TIME dotCom Bhd.	2.54

## Sector Allocation<sup>^</sup>

	%
Real Estate	23.59
Consumer Staples	15.73
Industrials	13.54
Consumer Discretionary	11.39
Information Technology	9.43
Healthcare	8.79
Financials	6.52
Communication Services	3.51
Materials	3.25
Energy	1.79
Cash & Cash Equivalents	2.47

## Geographical Allocation<sup>^</sup>

	%
Singapore	31.76
Malaysia	20.77
Thailand	20.51
Indonesia	16.43
Philippines	5.06
Vietnam	3.00
Cash & Cash Equivalents	2.47

<sup>^</sup>Figures may not sum to 100 due to rounding.

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## Market Review

ASEAN markets moved higher in February. Global markets experienced heightened volatility on the back of the reflation trade due to optimism of a continued COVID-19 vaccine rollout and the US House of Representatives passage of a US \$1.9 trillion stimulus bill. Expectations of faster growth and potentially higher inflation led the US 10-year Treasury yield higher by roughly 34 basis points for the month and triggered a positioning change to value stocks from growth stocks. Every ASEAN currency depreciated against the greenback, as higher yields and capital inflows into the US fueled a stronger dollar.

The Indonesian equity market posted gains for the month despite negative economic news. Bank Indonesia cut interest rates by 25 basis points to 3.5% to boost flagging growth as the economy contracted by 2.07% in 2020, its first decline in over two decades.

In Malaysia, markets were higher for the month. The government gradually eased some movement restriction measures related to COVID-19 for restaurants and micro entrepreneurs towards the middle of the month. On the economic front, the economy contracted by 5.6% in 2020.

In the Philippines, equity markets moved higher for the month. The central bank remained on hold as inflationary pressures built in the economy, leading some to question whether a long pause in rates was on tap.

Thailand equity markets were higher for the month. Political tensions reignited again as protestors once took the streets calling for political change, and the prime minister survived a no-confidence vote in parliament over his handling of COVID-19 and corruption. On the economic front, fourth quarter 2020 GDP contracted by 4.2% (year-on-year), lower than market expectations, while declining 6.1% for 2020.

Singapore's equity market posted gains for the month. On the policy front, the government pledged US \$8 billion in the 2021 annual budget to offset the economic impact of COVID-19. On the economic front, exports grew by a robust 12.8% year-on-year, its fastest growth in seven months, on the back of strong demand for machinery, gold, and electronics.

## Outlook

On Nov 15, China and 14 other countries signed the Regional Comprehensive Economic Partnership (RCEP), which accounts for 30% of the world population and 30% of global GDP making it the world's largest trading region. The RCEP is a key milestone for South East Asian countries to advance as a global manufacturing hub. It will eliminate c. 92% of import tariffs and clear up various hurdles such as the Rules of Origins, promoting the shift of manufacturing to ASEAN amid the persisting US-China tension. As estimated by the World Bank, South East Asian countries would see their GDP to expand by 0.1- 0.8% and exports to expand by 0.3-4.7% higher than baseline in 2030. The increase in manufacturing jobs is a key driver for income growth and urbanization, creating further opportunities for consumers sectors.

We see each South East Asian country attract FDIs based on what they can offer in terms of their competitive and comparative advantages. Thailand has a strong automotive supply chain and a well-established food manufacturing industry. Malaysia has an advantage in the manufacturing of electronic and electrical products, rubber gloves and wooden furniture. Philippines provides great service in terms of business process outsourcing (BPO) and Indonesia is offering itself as the hub for electric vehicle supply chain. Vietnam has established a niche in the manufacturing of smartphones and Vietnam and Cambodia offers the advantage of textile and apparel manufacturing. Singapore serves as the key financial hub supporting capital investments in the region.

In order to attract FDIs, governments in this region have invested in improving transport and logistic infrastructure over the years. They have also passed laws and simplify processes to create a business friendly environment for foreign investors. For example, the long awaited Omnibus law was approved by the Indonesian parliament on 5th October 2020. One of the main points addressed in this reform is the reduction of corporate severance payment liability from a previous maximum of 32 months to 19 months (with an additional 6 months paid by the Government). The law would also ease restrictions in critical areas, including labor law, capital investment, licensing, corporate tax, and land acquisition. This set the stage for global manufacturers to establish operations in Indonesia.

Tourism sector in South East Asia were badly affected by COVID-19. As vaccination work through its way, we believe the recovery of tourism industry should help revive economic growth in the region. If all goes well, we expect to see a more meaningful recovery to occur towards the latter half of 2021.

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