

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

Inception Date November 2012	Fund Size USD 61.50 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.585	Management Fee 2.25% per annum	Bloomberg Ticker MPUSAGF	
Investment Fund Manager (the "Manager") Manulife Investment Management (Hong Kong) Limited			

Performance Return (July 31, 2021)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	0.25%	14.28%	30.67%	30.45%	41.52%	58.50%
Annualized	n.a.	n.a.	30.67%	9.27%	7.19%	5.45%

Why ASEAN markets

- **We know the ASEAN markets well:** With presence in the key ASEAN-6* and Greater China markets, we have in-depth knowledge and understanding of the region.
- **An under-appreciated side of Asia:** ASEAN** 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.

*ASEAN-6 includes Singapore, Thailand, Indonesia, Vietnam, Malaysia and Philippines.

**Predominantly represented by Indonesia, the Philippines, Thailand, Malaysia, and Singapore

Top Ten Holdings

	%
Raffles Medical Group Ltd	4.00
Century Pacific Food Inc.	3.56
Mapletree Industrial Trust	3.35
Comfortdelgro Corporation Limited	3.23
Chularat Hospital PCL	3.19
TIME dotCom Bhd.	2.89
PT Medikaloka Hermina Tbk	2.62
Sheng Siong Group Ltd.	2.58
Venture Corporation Limited	2.57
Uchi Technologies Bhd.	2.55

Sector Allocation[^]

	%
Real Estate	22.53
Industrials	14.51
Healthcare	13.31
Consumer Staples	12.75
Information Technology	12.70
Consumer Discretionary	7.63
Financials	5.30
Communication Services	4.92
Energy	1.81
Materials	0.79
Cash & Cash Equivalents	3.76

Geographical Allocation[^]

	%
Singapore	34.63
Thailand	19.59
Malaysia	16.84
Indonesia	16.52
Philippines	6.44
Vietnam	2.22
Cash & Cash Equivalents	3.76

[^]Figures may not sum to 100 due to rounding.

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Market Review

ASEAN equities moved lower for the month on the back of the delta variant of COVID-19. The delta variant of COVID-19 continued its global spread, leading to increased cases and hospitalizations especially in less developed economies. Meanwhile the IMF maintained its 2021 global economic forecast at 6 percent but downgraded developing economies, particularly emerging Asia, demonstrating a two-speed recovery track.

Malaysian equities posted losses for the month. Overall, equities moved lower as concerns over the COVID-19 outbreak remained. In addition, political stability increased as the nation's constitutional head of state accused the prime minister of misleading parliament by suggesting that the king agreed to revoke a state of emergency order. These factors led to the emergence of public protests, with some calling for the prime minister's ouster. In markets, the largest IPO of the year involving a digital credit reporting franchise provided a brief fillip for equities in mid-July.

Indonesian equities moved lower for the month. The government extended curbs as new COVID-19 cases remained elevated. Bank Indonesia kept interest rates on hold, pledging to adopt a 'pro-growth' policy for the rest of the year.

The Philippines equity market moved lower for the month. A rise in COVID-19 cases led to a new lockdown of the Manila capital region for most of the month of August. Due to continued lockdown measures and concerns over a growing fiscal deficit, Fitch revised its credit outlook of the Philippines to 'Negative' from 'Stable.'

Thailand's equity market moved lower for the month. The spread of the delta variant led to an expansion of lockdowns in Bangkok and high-risk provinces during the month, sending equities lower. Due to net foreign selling of equities (roughly US \$600 million) and an expanding current account deficit, the Thai baht continued its depreciation against the US dollar as the worst-performing regional currency for the second consecutive month.

Singapore posted gains for the month. Despite an uptick in cases, markets remained in positive territory. On the economic front, second quarter GDP grew by 14.3% on a year-by-year basis.

Outlook

The recovery in most Southeast Asian countries is now looking more subdued following the resurgent of COVID cases in the region. The spread of more infectious strains amid slow vaccinations has taken its toll on the economy of this region. We expect a downward revision in growth outlook to follow. That said, we expect companies in the following sectors to outperform:

1. Health care – during the initial stage of the outbreak, hospitals suffered from low patient flows and cancellation of elective surgeries. Over time, these hospitals managed to pivot and have benefited from assisting the government in performing COVID tests and treating COVID patients. Income derived from these services has helped sustained earnings growth. Post-Covid, these hospitals will benefit from the normalization of hospital operations and the resumption of healthcare tourism.
2. Exporters – Manufacturers in Southeast Asia are expected to continue to do well on the back of strong demand from the re-opening of US and Europe. Some companies have benefited from the shift of orders from China to Southeast Asia. While there may be some disruption caused by restricted operations and shortage of components, we believe the impact will be short-lived as most companies are more well-prepared this time, thanks to the experience learned in 2020. The exporters also tend to benefit from a stronger USD in the event of Fed taper anxiety.
3. Digitisation of the ASEAN economies – as highlighted in our previous report, Southeast Asian countries, in particular Indonesia, are experiencing strong growth in digital economy. Data centers are growing rapidly in Indonesia as digitization gathers pace in the financial, e-commerce and ride hailing sectors. Demand for logistic and warehousing services has grown strongly in the region and we are seeing strong investments in these areas. We anticipate public listings of key sector leaders in 2H21 and they will set the benchmark for the listing of more "new economy" businesses in Southeast Asia in the foreseeable future.

ESG has gained prominence in recent years. Increasing awareness and engagement with companies has led us to replace companies with weak governance, high compliance cost with companies who make significant effort to improve their ESG standards and disclosures. It is heartening to note that most companies in Asia have stepped up their effort to improve their ESG ratings. Efforts have been made to improve disclosure, work environment, labour treatment, investment in green energy and use of green materials for their products.

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