

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 59.61 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.582	Management Fee 2.25% per annum	Bloomberg Ticker MPUSAGF	
Investment Fund Manager (the "Manager") Manulife Investment Management (Hong Kong) Limited			

Performance Return (September 30, 2021)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-1.92%	14.06%	29.78%	29.14%	42.14%	58.20%
Annualized	n.a.	n.a.	29.78%	8.90%	7.29%	5.32%

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	4.17
Century Pacific Food Inc.	3.86
Comfortdelgro Corporation Limited	3.20
Mapletree Industrial Trust	3.19
TIME dotCom Bhd.	2.85
Uchi Technologies Bhd.	2.82
PT Medikaloka Hermina Tbk	2.73
Chularat Hospital PCL	2.66
Sheng Siong Group Ltd.	2.50
Venture Corporation Limited	2.50

Sector Allocation^

	%
Real Estate	20.30
Industrials	14.08
Consumer Staples	13.54
Information Technology	12.91
Healthcare	12.83
Consumer Discretionary	6.52
Financials	5.52
Communication Services	5.46
Materials	3.10
Energy	1.88
Utilities	1.29
Cash & Cash Equivalents	2.57

Geographical Allocation^

	%
Singapore	32.66
Thailand	19.27
Malaysia	17.75
Indonesia	16.76
Philippines	8.57
Vietnam	2.42
Cash & Cash Equivalents	2.57

^Figures may not sum to 100 due to rounding.

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Market Review

ASEAN markets were lower for month equities moved lower for the month as the Federal Reserve announced that the tapering of bond purchases was coming “soon,” helping to lift 10-year Treasury yields and strengthen the US dollar. Second, as energy commodities price continued their rise, coupled with governments’ policy shifts towards cleaner fuels source temporary electricity blackouts and restrictions were seen in China and India. Performance across countries was mixed as Indonesia and Philippines led the way with Singapore and Thailand lower on the month. Malaysia was up marginally.

Indonesian equities moved higher on the back of a continued improvement in the domestic COVID-19 situation and increasing commodity prices, as the country is a large exporter of coal and crude palm oil. Bank Indonesia held interest rates steady.

The Philippines equity market was higher as government relaxed restrictions in the capital region mid-month that led to a brief relief rally. In the real estate sector, a major REIT listing, the fifth overall in the asset class, which aims to raise PHP 15.3 billion, moved its IPO date to 1 October from 30 September.

Malaysian equities were up marginally as more economic sectors were opened amid a loosening of COVID-19 restrictions. The shares of commodity producers, particularly natural gas, oil and palm oil, moved significantly higher.

Singapore’s equity market was marginally lower for the month as COVID-19 restrictions were reintroduced amid a significant uptick in local cases as the territory reopened. On the economic front, exports only grew by 2.7%, missing market expectations.

Thailand equities were down as sentiment was affected by a government announcement that the country’s ‘re-opening’ would be delayed until mid-November. On the policy front, the government raised the fiscal deficit ceiling to 70% of GDP from the prior threshold of 60% to accommodate additional stimulus.

Outlook

The outlook for the ASEAN region is expected to improve in 4Q21. The rate of COVID infection in on a steady decline as the number of inoculated adults continue to rise. Most countries are gradually relaxing movement and travel restrictions and moving towards a full opening of the economy. While growth slowdown in China would still be a headwind for the region, its effects would be mitigated by the strong global demand backdrop, which would support the region’s exports. The region is also better prepared for a Fed tapering in November/December of 2021. 2H21 earnings are expected to cycle through a low base of 2H20 and outlook is expected to improve as the disruption from COVID dissipates.

Economic activities are gradually returning to normal in Indonesia. Higher commodity prices (coal and palm oil) provide further boost to economic recovery. Banks’ confidence to lend is stronger this time compared to early 2021. Credit cost is expected to decline as asset quality improves. Barring another serious outbreak of COVID-19, we expect the retail sector to recover from 4Q21 onwards. Domestic consumption is expected to be well supported by higher household income, thanks to higher commodity prices.

Malaysia’s economy is also moving towards a gradual re-opening. However, companies, particularly in the manufacturing and plantation sectors, have to rely on using domestic workforce as recruitment of foreign labours remains restricted. Wage pressure is expected to rise and the ability of labour-intensive companies to expand capacity may be limited until the border reopens. While higher wages are a headwind to corporate earnings, they are a tailwind to domestic consumption as household income is supported by robust domestic labour market.

Thailand and the Philippines may take longer to achieve a higher inoculation rate. However, the rate of infection and hospitalization are declining in Thailand. The resumption of tourism activities remains critical for the Thai economy, which is currently supported by the export sector. Singapore is pushing on with the strategy of living with Covid-19. The government is making an attempt to resume mass cross-border travelling by expanding the Vaccinated Travel Lane (VTL) arrangement with different countries. The VTL essentially drops mandatory quarantine on both sides of the journey. In our view, this bold attempt to restart cross-border travel may provide near-term relief to Singapore’s aviation and land transportation traffic. If successful, this may present opportunities in 4Q21.

India remains a local and bottom-up story with a stable regulatory environment. We expect economic activity to continue to improve, especially around the festive season as the vaccination trend continues to improve. The recovery is well supported by a host of structural reforms, which include low corporate tax, indirect tax reforms, GST and Real Estate Regulations (RERA, Bankruptcy Act). These reforms are expected to lead to long-term growth story led by formalization, digitization, revival of manufacturing, thanks to supportive government policy. For 4Q21, we are constructive on import substitution plays that form a major part of “Made in India” policy. These companies stand to benefit from the ongoing recovery in the economy as well as from the trend of diversification of production away from China in the longer term.

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