

ASEAN Growth Fund

An investment fund option for the 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 59.24 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.430	Management Fee 2.25% per annum	Bloomberg Ticker MPUSAGF	
Investment Fund Manager (the "Manager") Manulife Investment Management (Hong Kong) Limited			

Performance Return (January 31, 2021)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	3.10%	3.10%	12.24%	4.84%	56.46%	43.00%
Annualized	n.a.	n.a.	12.24%	1.59%	9.36%	4.47%

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

	%
Comfortdelgro Corporation Limited	3.44
R&B Food Supply Public Company Ltd NVDR	3.37
Com7 Public Company Limited NVDR	2.97
PT Aneka Tambang Tbk	2.93
Frasers Logistics & Commercial Trust	2.77
Raffles Medical Group Ltd	2.75
Century Pacific Food Inc.	2.69
First Resources Ltd. (Singapore)	2.65
TIME dotCom Bhd.	2.60
PT Ciputra Development Tbk	2.60

Sector Allocation[^]

	%
Real Estate	24.58
Consumer Staples	18.02
Industrials	13.03
Consumer Discretionary	10.90
Information Technology	9.33
Healthcare	8.65
Financials	6.13
Materials	2.93
Communication Services	2.60
Energy	1.27
Cash & Cash Equivalents	2.56

Geographical Allocation[^]

	%
Singapore	33.58
Thailand	21.45
Malaysia	19.76
Indonesia	15.54
Philippines	4.12
Vietnam	2.98
Cash & Cash Equivalents	2.56

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

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Market Review

ASEAN markets were mixed for the month as investor sentiment gradually changed in the second half of the month as COVID-19 variants spawned new cases worldwide, especially in Southeast Asia, where Indonesia, Malaysia, Philippines, Thailand, and Vietnam extended or imposed new lockdown measures. As a result, North Asia outperformed South East Asia. A stronger US dollar also added pressure, with many Asian currencies sliding against the USD.

The Indonesian equity market posted losses for the month. The government increased its 2021 budget by nearly 50% to 553.1 trillion rupiah to shore up economic growth and account for costs related to vaccinating the population. In response to a record budget deficit in 2020, the three major credit rating agencies stated that the Indonesian government would likely revert to the previous statutory fiscal ceiling of 3% of GDP by 2023. On the policy front, the government announced it would remove energy, communications, and tourism from a restricted investment list, allowing foreign investment in those sectors for the first time.

In Malaysia, markets were higher. The government issued a national emergency effective until August 1 and a two-week national lockdown order early in the month to curb surging COVID-19 cases. The orders roiled equity markets and weakened the ringgit, however, both recovered somewhat. In response, the government released a new fiscal stimulus package of US \$3.7 billion.

In the Philippines, equity markets moved sharply lower for the month. As variants of COVID-19 became more common, President Duterte ordered to keep children under the age of 15 from leaving the house, denting family activities that serve as a key plank of the nation's consumption. On the economic front, the country posted an annual contraction of 9.5%, its worst annual economic performance since 1947.

Although there were fears over a resurgence of COVID-19 cases, Thailand's equity markets were higher in January. Equities seesawed as the country reported a record high number of COVID-19 cases in early January, which led to fresh curbs in urban centers around the country. On the policy front, the government unveiled a US \$7 billion fiscal stimulus package, which aims to provide cash handouts primarily to informal workers affected by the COVID-19 pandemic.

Singapore's equity market posted gains for the month. On the economic front, news was mixed: the country posted its worst contraction (-5.8%) on record in 2020, although fourth quarter activity picked up as lockdown restrictions were lifted, while exports in December increased by 6.8%.

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 was 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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Disclaimer

The ASEAN Growth Fund is an investment fund option for The Manufacturers Life Insurance Co. (Phils.), Inc.'s Affluence Gold, Affluence Max Gold, Manulife Affluence Builder, and Manulife Horizons, and is managed by Manulife Investment Management (Hong Kong) Limited.

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