

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 51.30 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.573	Management Fee 2.25% per annum	Bloomberg Ticker MPUSAGF	
Investment Fund Manager (the "Manager") Manulife Investment Management (Hong Kong) Limited			

Performance Return (August 31, 2023)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-1.93%	3.97%	3.62%	25.24%	28.51%	57.30%
Annualized	n.a.	n.a.	3.62%	7.79%	5.15%	4.30%

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

	%
Taokaenoi Food & Marketing Public Company Ltd NVDR	3.84
Frasers Centrepoint Trust	3.67
PT Selamat Sempurna Tbk	3.37
IGB Real Estate Investment Trust	3.36
Raffles Medical Group Ltd	3.31
PT Blue Bird Tbk	3.29
Chularat Hospital PCL	3.27
Robinsons Retail Holdings, Inc.	3.00
Century Pacific Food, Inc.	2.99
Sabina Public Co. Ltd. NVDR	2.95

Sector Allocation[^]

	%
Real Estate	22.59
Consumer Staples	20.47
Healthcare	14.05
Financials	10.90
Consumer Discretionary	10.42
Industrials	8.90
Materials	2.76
Information Technology	2.37
Communication Services	2.33
Energy	2.22
Cash & Cash Equivalents	3.01

Geographical Allocation[^]

	%
Thailand	26.08
Singapore	21.82
Indonesia	20.33
Malaysia	16.88
Philippines	9.20
Vietnam	2.68
Cash & Cash Equivalents	3.01

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

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Market Review

ASEAN small cap equities posted marginal losses for the month. In the U.S., robust economic data and persistent inflation spurred concerns over elevated interest rates for a longer period. In Asia, worries over China's economic recovery and liquidity issues in its property sector further weighed on regional markets.

Thai equities posted gains, with outperformance in tech and financials. On the policy front, Srettha Thavisin from the Pheu Thai party was elected as the new prime minister after months of uncertainty.

Malaysia equities moved higher, led by utilities and real estate. On the economic front, July trade surplus contracted to US\$3.7 billion, with continuous growth in tech exports.

Indonesia equities were flat on the back of better-than-expected Q2 2023 GDP growth and continued policy rate pause amid softening inflation.

Singapore equities posted losses, dragged by tech. On the economic front, exports fell by 16.6% (year-on-year).

Philippines equities moved lower, due to negative economic news as high interest rates took hold. On the economic front, Q2 2023 GDP grew by 4.3% (year-on-year), which was below market expectation.

Outlook

Southeast Asia remains a fertile ground for stock selection. Indonesia's economy continues to benefit from high (albeit lower from the peak) commodity and soft commodity prices. Sales of residential properties remain robust and hotel occupancy and room rates have normalized and, in some cases, surpassed pre-Covid levels. Travel activity and mobility have resumed, and this has driven demand for transportation (cabs) and replacement of auto parts. We also see strength in middle-to upper income consumption. The recent passing of Omnibus Health Bill, which addresses the shortage and distribution of doctors and specialists in Indonesia bodes well for expansion of private health care services in the longer term.

In Singapore, we see opportunities in wealth management and healthcare services. Banks are expected to continue to benefit from the inflows of funds from family offices in Asia and we see strong demand for private healthcare services from residents in Vietnam, Laos, Myanmar and Cambodia.

The Philippines remains an under-appreciated market. We noticed a divergence of interests between corporates and equity investors. While corporates in the ASEAN region are looking to expand their market presence and invest in the Philippines, equity investors have showed little interest, so far. This presents an opportunity, in our view. Macro headwinds, such as inflation and rapid rise in interest rate, are dissipating. Economic activities have continued to recover, supported by business-friendly policies. Liquidity in the banking system remains ample and asset quality is showing signs of further improvement. The strong growth potential in domestic consumption has continued to attract investments from peers in the ASEAN region. More importantly, valuations of stocks appear reasonable and undemanding at current levels.

One needs to be more selective in Thailand. High household debt continues to weigh on domestic consumption. Lingering political uncertainty following the election has kept investors on the sideline. Most stocks are also trading on high multiples. We are navigating around the multiple challenges in the Thai market by investing in companies benefiting from the recovery in tourism and foreign direct investments in Thailand and their ability to expand market share overseas. These companies are expected to deliver strong revenue growth, which is expected to translate into higher profit growth as the effect of operational leverage kicks in.

Malaysian equities are reeling from the issues of lack of growth and weak currency. Valuation of stocks in the technology sector has yet to fully reflect a weak earnings cycle, in our view, implying further downside. We prefer opportunities in the consumer sector. We are investing in companies with strong retail brand franchise with strong management capability. Companies with such attributes are expected to demonstrate greater ability to defend and gain market share from their weaker peers.

Disclaimer

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