

# 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 59.74 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 1.608	<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 (December 31, 2021)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	1.13%	15.93%	15.93%	38.03%	57.65%	60.80%
Annualized	n.a.	n.a.	15.93%	11.34%	9.53%	5.36%

## 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

	%
Century Pacific Food Inc.	4.21
Raffles Medical Group Ltd	3.94
Mapletree Industrial Trust	3.13
Eastern Polymer Group Public Company Ltd	3.00
Com7 Public Co. Ltd.	2.91
TIME dotCom Bhd.	2.89
Uchi Technologies Bhd.	2.84
PT Industri Jamu dan Farmasi Sido Muncul Tbk	2.79
Comfortdelgro Corporation Limited	2.78
Chularat Hospital PCL	2.62

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

	%
Real Estate	18.61
Consumer Staples	14.69
Healthcare	13.64
Industrials	12.33
Information Technology	9.48
Consumer Discretionary	8.02
Communication Services	5.42
Financials	4.76
Materials	4.42
Energy	3.51
Utilities	2.06
Cash & Cash Equivalents	3.07

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

	%
Singapore	31.14
Thailand	20.55
Indonesia	17.55
Malaysia	16.47
Philippines	8.77
Vietnam	2.46
Cash & Cash Equivalents	3.07

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

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## Market Review

ASEAN small cap equities gained as the trajectory of the COVID-19 pandemic and Federal Reserve ('The Fed') policy. While COVID-19 cases surged during the month with the discovery of the Omicron variant, initial evidence suggests milder symptoms and potentially fewer serious hospitalizations, which moderated the reaction among equity markets. Meanwhile, the Fed made a hawkish turn in December after its meeting, speeding up bond tapering and forecasting at least three 25 basis point (bps) rate hikes in 2022.

Indonesian equities were lower for the month over concerns over the spread of the Omicron variant even with hopes that it would be less severe than the Delta variant. On the policy front, coal exports were halted, as the government sought to protect domestic supplies for energy generation. Finally, the Ministry of Finance lowered budget deficit estimates for 2021 on the back of record revenue due to surging commodity prices.

Malaysia equities were largely flat as the theme of economic reopening continued, as Omicron cases were expected to be milder. Commodity equities, such as palm oil and oil producers, ended higher on stronger monthly performance.

In the Philippines, equity markets moved lower on the reimposition of mobility restrictions. The government reimposed restrictions in the capital Manila region after a significant uptick in cases due to the Omicron variant, which dented investor hopes of a recovery. The Philippine peso was the worst-performing regional currency for the month, as the central bank's low interest rate policy, coupled with a deteriorating current account deficit, decreased its attractiveness.

Singapore's equity market was higher on the month driven by the real estate sector as REITs were higher on the news that Omicron was likely a less severe illness than previous variants. Although this would negatively affect the government's previous plan for quarantine-free entry, expectations were less severe than what was anticipated during the November sell-off. On the policy front, the Singaporean government announced a fresh round of property curbs, including a stamp-tax for second-home buyers and foreigners purchasing private residences.

Thailand equities were higher for the month despite the government halted quarantine-free entry for vaccinated travelers after the discovery of several Omicron cases, equities rallied on news that the new variant was less severe and foreign buying: foreign investors were net buyers (\$820 million) for the month. On the policy front, Thailand approved a fresh stimulus packages including a tax deduction for individual taxpayers of up to THB 30,000 baht when purchasing goods or services, as well as announcing it may impose a levy of 0.1% on each equity transaction to help boost government revenue used for COVID-19 recovery packages.

## Outlook

Our positive view towards Southeast Asia is further reinforced by the higher real yields in the region's major economies, namely Indonesia and India, which are attracting capital flows. Given the previous tensions between China and the US, we believe that Southeast Asia will be a strategic beneficiary, at least over the medium term, as there may be foreign direct investment in specific sectors. These include battery suppliers in Indonesia, auto companies in Thailand, and the IT supply chain in Malaysia.

While physical ASEAN integration has been disappointing, digital integration within the bloc is more encouraging. Currently, 35 over 30 big-tech unicorns are due to be listed, and this process is expected to extend to fintech, logistics providers, and e-commerce players.

The near-term outlook for ASEAN is expected to improve as economies reopen, with most of the bloc's countries relaxing movement and travel restrictions, albeit gradually. Strategically, Southeast Asia should play an important post-pandemic role in Asia's economic trajectory. The "China Plus One" initiative has encouraged multinational companies to diversify their business lines and production bases into regional markets. In Indonesia, higher commodity prices (coal and palm oil) will be supported by healthier domestic consumption. As the world's fourth-largest nickel supplier, Indonesia is also well positioned in the EV supply chain. Furthermore, the digital economy is enjoying strong organic growth, with rising demand for fintech providers, logistics warehouses, and associated services. Malaysia's economy is also moving towards a gradual reopening, hence the boost for the local tech sector. While higher wages are a headwind for corporate earnings, they simultaneously encourage domestic demand. Meanwhile, in Thailand, infection and hospitalisation rates are declining. The announcement of quarantine-free travel shows that a resumption in tourism activities remains critical for the Thai economy, which is currently supported by the export sector.

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