

# 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 57.12 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 1.539	<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 (February 28, 2022)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.19%	-4.29%	3.43%	17.30%	43.97%	53.90%
Annualized	n.a.	n.a.	3.43%	5.46%	7.56%	4.77%

## 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.	3.60
Raffles Medical Group Ltd	3.29
PT Industri Jamu dan Farmasi Sido Muncul Tbk	3.27
Com7 Public Co. Ltd.	3.15
Mapletree Industrial Trust	3.07
Eastern Polymer Group Public Company Ltd	3.01
Uchi Technologies Bhd.	2.91
TISCO Financial Group Public Co. Ltd. NVDR	2.84
TIME dotCom Bhd.	2.77
Sheng Siong Group Ltd.	2.69

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

	%
Real Estate	17.01
Consumer Staples	16.16
Healthcare	13.39
Industrials	12.16
Consumer Discretionary	8.56
Information Technology	8.29
Communication Services	5.22
Financials	5.19
Materials	4.27
Energy	3.55
Utilities	2.04
Cash & Cash Equivalents	4.16

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

	%
Singapore	28.93
Thailand	20.69
Indonesia	18.11
Malaysia	16.15
Philippines	9.20
Vietnam	2.76
Cash & Cash Equivalents	4.16

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

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## Market Review

ASEAN small cap equities posted gains for the month as most ASEAN equity markets outperformed regionally due to attractive valuations and rich commodity exports. However, globally, equity markets were negatively impacted by Federal Reserve monetary policy normalization and the Russia-Ukraine conflict. Federal Reserve governors gave numerous statements supporting rapid rate hikes to reduce elevated inflation as US consumer price inflation rose to 7.5% in January and strong economic data such as robust US retail sales. The Russia-Ukraine conflict in late February roiled global markets as fears over a prolonged military operation and potential shortages exacerbated existing inflationary pressures drove markets lower.

Indonesian equities moved lower despite positive catalysts of reopening and higher commodity prices. Communication services and sectors which are negatively impacted by higher commodity prices dragged the market lower. On the policy front, the governor of the central bank stated that it may begin to unwind debt monetization support starting in 2023.

Malaysian equities posted losses for the month. The government announced a new program to allow vaccinated tourists in with only a five-day quarantine, while foreign investors turned to net buyers. The central bank kept interest rates on pause.

The Philippines equity market was flat for the month. The local equity market moved sideways as the government put the capital region on the lowest possible COVID-19 alert level and the country reopened to foreign visitors without quarantine. On the policy front, the congress passed a bill allowing full foreign ownership of telecom and rail services.

Singaporean equities were higher on the month led by real estate, particularly REITs. On the policy front, the government will raise taxes on goods and services from 7% to 8% in January 2023 and ultimately to 9% in January 2024 to fund the health care system.

Thailand posted gains for the month on the back over optimism on reopening as the government cut further entrance restrictions (testing) for foreign entrants. This momentum, however, decelerated and the Thai baht weakened as Western nations placed severe sanctions on Russia for its military inaction in Ukraine- Russians compose a significant number of tourists. On the economic front, fourth-quarter GDP came in at 1.9% (year-on-year).

## Outlook

Geopolitical risk arising from the Russia-Ukraine war has added to uncertainty to the market. The war has triggered higher oil, food and commodity prices, which is expected to impede the pace of post-COVID recovery. While investors celebrated earnings boost to companies exposed to higher energy, food and commodity prices, we caution that a continuous increase in prices is unlikely to be sustainable. Demand destruction is expected to follow, and this is expected to dampen economic growth. Corporates will have to deal with margin compression amid higher costs and they will be reluctant to invest amid heightened uncertainty in the macro and financial environment. Consensus have tempered their expectations on the number of interest rate hikes this year, as a result.

During this period of heightened risk and great uncertainty, the fund puts great emphasis on paying a reasonable price for stocks with strong fundamentals and good quality management. We like companies with the following attributes:

1. Have strong market position
2. operating in sectors with high entry barrier
3. possess strong pricing power and
4. have the ability to defend or improve profitability through product upgrades and innovations.
5. Have spare cash to confront any untoward incidents from external shocks.

We have tweaked our growth expectation for different markets following the spike in oil price to over USD100/bbl. We believe markets in South-East Asia will continue to outperform its peers in North Asia and India. That said, rising commodity prices will have an uneven impact on ASEAN. GDP forecasts for Singapore, Thailand, Philippines and Vietnam face relatively more downside risks than commodity exporters Malaysia (oil, gas, palm oil) and Indonesia (coal, gas, palm oil). The gradual re-opening of borders and resumption of economic activities should provide a buffer to the impact of external shocks. We expect domestic and international travel to recover, albeit in a gradual manner and consumption will shift from online to physical stores as people spend less time at home. Retailers are expected to benefit from higher proportion of domestic spending as international travels remain untenable in the near term, thanks to existing quarantine policies. However, we expect further relaxation as vaccination rate continue to increase over time.

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