

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 51.55 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.547	Management Fee 2.25% per annum	Bloomberg Ticker MPUSAGF	
Investment Fund Manager (the "Manager") Manulife Investment Management (Hong Kong) Limited			

Performance Return (February 28, 2023)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-4.92%	2.25%	0.52%	28.49%	15.36%	54.70%
Annualized	n.a.	n.a.	0.52%	8.71%	2.90%	4.35%

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	3.59
Venture Corporation Limited	3.58
PT Blue Bird Tbk	3.52
Frasers Centrepoint Trust	3.37
Sheng Siong Group Ltd.	3.31
TISCO Financial Group Public Co. Ltd. NVDR	3.30
Heineken Malaysia Bhd.	3.30
IGB Real Estate Investment Trust	3.28
TIME dotCom Bhd.	3.24
Mapletree Industrial Trust	3.16

Sector Allocation[^]

	%
Real Estate	22.94
Consumer Staples	15.13
Healthcare	14.79
Financials	10.55
Consumer Discretionary	8.70
Industrials	8.17
Information Technology	4.78
Materials	3.40
Communication Services	3.24
Energy	1.72
Cash & Cash Equivalents	6.59

Geographical Allocation[^]

	%
Singapore	25.36
Thailand	21.06
Malaysia	18.02
Indonesia	16.64
Philippines	9.91
Vietnam	2.42
Cash & Cash Equivalents	6.59

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

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Market Review

ASEAN small cap equities posted losses for the month. The trajectory of the Fed's monetary policy and a potential pivot were the main factors driving the markets. Data in the U.S. showed an acceleration in already persistent monthly inflation, pointing to higher rates for longer and pushing global equities lower. ASEAN small cap equities faced additional headwinds on the back of heightened Sino-U.S. geopolitical tensions.

Indonesia equities moved marginally lower but outperformed regional markets for the month. Net foreign buying (US\$ 377 million) helped support the market. Bank Indonesia held rates on pause as inflation continued to decelerate in January (5.28%). In policy, the government announced plans to reduce the expected fiscal deficit to 2.64% in 2024. On the economic front, fourth-quarter GDP expanded by 5.01%, exceeding market expectations.

Malaysia equities posted losses for the month. In policy, the government released the 2023 budget which focused on reviewing subsidies for the general population (e.g., electricity) in favor of more targeted policies to help raise the living standards of lower-income individuals. The prime minister also announced his government would not reintroduce the goods and services tax. On the economic front, GDP expanded by 7.0% (year-on-year) in the fourth quarter.

The Philippines equity market posted losses as inflation rose to 8.7% in January - a 14-year high. In response, the central bank raised rates by 50 bps to 6.00% and signaled further rate hikes.

Singapore equities also moved lower for the month. In policy, the government released its 2023 budget, which will provide one time 'cost of living special payments' and Community Development Council vouchers to help residents combat rising inflation. On the economic front, exports fell by 25% (year-on-year) in February - the fourth straight month of decline.

Thai equities posted losses for the month on the back of concerns over higher global rates despite positive news flow about a surge in tourism over the Lunar New Year. Net foreign selling of equities (\$1.1 billion) also put downward pressure on the market. On the economic front, fourth-quarter 2022 GDP expanded by 1.4% (year-on-year), significantly below market expectations.

Outlook

ASEAN markets have held up relatively well in 2022 versus other Asian markets due to their economic resilience and vastly improved foreign debt composition relative to history. In addition, many ASEAN nations stand to be beneficiaries in the global diversification of supply chains away from China, the so-called "China plus one" strategy. Economic growth of the region is expected to outperform other developed markets and emerging markets in LATAM and EM Europe.

Unlike previous cycles, key macro-economic indicators in the region have improved and ASEAN economies are in much stronger positions compared to the previous cycles. The region's current accounts are in better shape and trade is flowing smoothly. In growth terms, China used to outpace ASEAN, but China's GDP growth estimate of 5% is expected to converge with the core ASEAN-5 economies of Indonesia, Malaysia, the Philippines, Singapore, and Thailand, which are also averaging around the 5% level, while India is heading towards 6%.

We continue to view ASEAN as one of the growth spots in Asia in terms of corporate earnings growth, supported by undemanding valuations. Besides, there are deeper reasons for the investment case of this economic bloc.

The Regional Comprehensive Economic Partnership (RCEP) group is an important driver and growing source of global foreign direct investment (FDI) for ASEAN. From 2015-2022, about 40% of investment in ASEAN come from RCEP members, of which 24 % comes from non-ASEAN RCEP member countries. For example, Malaysia and Vietnam continues to receive FDIs in the electric and electronic segment. Singapore has become the preferred option for wealth management and financial services within Asia, benefiting from wealth-management fund flows from China and even Hong Kong.

As global brands and manufacturers diversify their supply chain, they adopted the strategy of investing only in other Asian countries in addition to China ASEAN is a beneficiary for this trend with opportunities abound in different areas. From a tech perspective, the manufacturing of electronic goods and other industrial products is shifting to Malaysia and Vietnam. Indonesia and Thailand are forming an EV supply chain in ASEAN, catering both to domestic and external demand. In particular, Indonesia's abundant supply of nickel with a large domestic auto market puts the country in a strong position to complement growth in the EV supply chain in Asia.

A key area of growth in Southeast Asia will be medical tourism. The cost of care in the region is notably lower than in most developed markets. Among the popular ASEAN destinations for medical travel, Thailand, Singapore, and Malaysia had become major players, driving inbound travel to the region for their competitive rates, top-line medical care, technological advancement, and renowned medical expertise with world-class clinical services to overseas visitors, often from the Middle East and frontier territories.

Although lagging behind China, the digitalisation of ASEAN economies remains on an upward trajectory. The region is projected to be one of the world's fastest-growing data centre markets in the next few years, exceeding the growth in North America and the rest of Asia-Pacific. According to ASEAN Secretariat, the investment needs for 5G infrastructure in ASEAN are significant, estimated at about \$14 billion in annual capital expenditure between 2020 and 2025 to upgrade telecommunication facilities, networks, and equipment to 5G requirements. It's also expected that Southeast Asia's digital economy will register strong CAGR growth from 2022 to 2025 in travel, food and transport as economy continues to reopen and recover.

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