

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 54.80 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.627	Management Fee 2.25% per annum	Bloomberg Ticker MPUSAGF	
Investment Fund Manager (the "Manager") Manulife Investment Management (Hong Kong) Limited			

Performance Return (January 31, 2023)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	7.53%	7.53%	5.51%	27.71%	19.28%	62.70%
Annualized	n.a.	n.a.	5.51%	8.49%	3.59%	4.90%

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	4.52
Venture Corporation Limited	3.70
Sheng Siong Group Ltd.	3.69
TISCO Financial Group Public Co. Ltd. NVDR	3.31
SIA Engineering Co. Ltd.	3.23
Frasers Centrepoint Trust	3.20
Century Pacific Food, Inc.	3.15
TIME dotCom Bhd.	3.15
PT Blue Bird Tbk	3.08
Mapletree Industrial Trust	3.07

Sector Allocation[^]

	%
Real Estate	21.74
Consumer Staples	16.44
Healthcare	15.51
Financials	10.18
Industrials	9.45
Consumer Discretionary	7.52
Information Technology	5.80
Materials	4.65
Communication Services	3.15
Energy	1.45
Cash & Cash Equivalents	4.11

Geographical Allocation[^]

	%
Singapore	27.78
Thailand	22.65
Malaysia	17.40
Indonesia	15.46
Philippines	10.08
Vietnam	2.52
Cash & Cash Equivalents	4.11

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

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Market Review

ASEAN small cap equities moved higher for the month. Two catalysts spurred the equities rally: (1) optimism over more dovish monetary policy from the Fed and (2) continued positive regional spillover effects from China's economic reopening. Markets trended higher as U.S.'s monthly inflation data softened further in December, fueling speculation that the Fed may lower the quantum of rate hikes. This expectation drove risk-on global sentiment that dovetailed in ASEAN with a faster-than-expected exit from zero-COVID in China.

Indonesia equities posted gains. Bank Indonesia raised rates by 25 bps to 5.75%, as inflation inched higher to 5.51% (year-on-year) in December, with the central bank suggesting the rates tightening cycle could end soon.

Malaysia equities also moved higher. Bank Malaysia surprised markets by leaving interest rates unchanged at 2.75%. On the economic front, the country's trade surplus in December came in at US \$6.3 billion.

The Philippines equity market rose as the local stock market entered a technical bull market in mid-January on the back of optimism that the central bank was close to the end of its monetary tightening campaign, and optimism over positive spillover effects from China's reopening on corporate earnings. On the economic front, 2022 GDP grew by 7.6%, beating market expectations, and the highest annual growth rate since 1976.

Singapore equities moved higher. On the economic front, Singapore grew by 3.8% (year-on-year), with four-quarter growth decelerating on a sequential basis.

Thailand's equity market moved higher as large-scale Chinese tourism returned for the first time in three years. Bank of Thailand raised rates by 25 bps to 1.50%. On the economic front, the country's current account flipped to surplus (US \$1.1 billion) in December, helping propel the Baht to become the region's best performing currency in January.

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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