

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 46.09 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.522	Management Fee 2.25% per annum	Bloomberg Ticker MPUSAGF	
Investment Fund Manager (the "Manager") Manulife Investment Management (Hong Kong) Limited			

Performance Return (January 31, 2024)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-2.37%	-2.37%	-6.45%	6.43%	19.56%	52.20%
Annualized	n.a.	n.a.	-6.45%	2.10%	3.64%	3.83%

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

	%
Frasers Centrepoint Trust	4.00
IGB Real Estate Investment Trust	3.76
Sheng Siong Group Ltd.	3.47
Taokaenoi Food & Marketing Public Company Ltd NVDR	3.32
Sabina Public Co. Ltd. NVDR	3.30
United Overseas Bank Limited	3.22
Chularat Hospital PCL	3.20
Raffles Medical Group Ltd	3.12
Heineken Malaysia Bhd.	3.12
Bangkok Chain Hospital Public Co., Ltd.	3.11

Sector Allocation[^]

	%
Real Estate	24.28
Consumer Staples	17.68
Financials	12.46
Healthcare	11.82
Consumer Discretionary	9.65
Industrials	7.35
Materials	2.95
Energy	2.76
Communication Services	2.54
Information Technology	2.06
Cash & Cash Equivalents	6.46

Geographical Allocation[^]

	%
Thailand	26.24
Singapore	23.54
Malaysia	17.40
Indonesia	17.17
Philippines	6.95
Vietnam	2.24
Cash & Cash Equivalents	6.46

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

ASEAN Growth Fund

Market Review

ASEAN small cap equities corrected for the month, as investors reassessed the timing and magnitude of potential U.S. Fed's rate cuts in 2024. The U.S. Fed held rates on hold in its January meeting and pushed back against market expectations of a rate cut as soon as March 2024. Meanwhile, concerns over economic recovery in China further impacted ASEAN regional markets.

Indonesia small cap equities posted losses, with energy and materials lagging. On the economic front, December trade surplus came in above expectation.

Malaysia small cap equities moved higher, driven by utilities and real estate. On the economic front, Q4 2023 GDP grew by 3.4% (year-on-year), missing market expectation.

Thai small cap equities posted losses amid delay in implementation plan of the digital wallet stimulus package. On the other hand, the government further extended visa-free travel for more visitors.

Philippines small cap equities posted gains thanks to better-than-expected Q4 2023 GDP growth.

Singapore small cap equities corrected on profit-taking post December rally. On the economic front, Q4 2023 GDP grew by 2.8% (year-on-year), beating market expectation.

Outlook

The global economy and most stock markets in Asia and ASEAN have shown resilience to the cumulative effects of increases in short and long-term interest rates over the past years. While the U.S. Fed is expected to pause on further rate hike on the back of easing inflation, real interest rates are expected to remain elevated. The cumulative effects of restrictive monetary policy should not be underestimated as they work their way through to corporate and household balance sheets and international financial systems. Higher cost of servicing debt would deter consumption spending. It has also led business attitudes to gradually turning more cautious, leading to guarded capex and hiring plans.

The outlook of the global economy and markets is also clouded by political and geopolitical risks, which may be a source of volatility for ASEAN equities. Important elections will be held in 2024, including Taiwan, Indonesia, Korea and the U.S.. This is expected to deter investment plans as businesses awaits clarity on policies and continuation of existing policies. Furthermore, any escalation of geopolitical tensions in the Middle East (Israel-Hamas conflict) or the Russia-Ukraine conflict may pose further upside risks to energy prices and inflation, creating downside risks to financial stability, global economic and business outlook.

Separately, the cycling of low base effect from the post-COVID19 reopening has played out in most economies in 2023. We expect growth trend to return to normal in 2024. This will put the resilience of earnings growth of many companies to test heading into the new year. Against such backdrop, we would tread markets in the ASEAN region cautiously. Our strategy would be to invest in companies that are well-prepared for heightened uncertainties in global markets. We look for companies with the following attributes:

- Strong branding and market share.
- Strong capability in product innovation.
- Ability to expand market share either regionally, internationally, or globally.
- Strong internal cash flow generation and lowly geared with minimal USD debt exposure.
- Management who are focused on driving operational efficiency and disciplined allocation of capital for growth and shareholders' returns.

Southeast Asian economies are benefiting from global diversification of supply chain. The region attracted a record high of almost 17% of global FDI in 2022. Singapore, Malaysia, Vietnam are outperformers in FDIs in the technology industry, dominated by investments from the U.S.. Thailand and Indonesia received investments in the EV supply chain, which is dominated by Chinese investors. More importantly, leaders and governments in this region are supportive of FDIs, as evidenced by the roll-out of business-friendly policies and tax incentives. The growth in foreign capital investments in real asset is expected to fortify the region's balance of payment position and help mitigate the risk of external liquidity shocks. Separately, there is a noticeable trend of consumer companies expanding their presence in intra-ASEAN markets as well as international markets. The ability to expand market access and source of earnings beyond their home ground would make these companies bigger over time. More interestingly, such growth opportunities remain underappreciated by investors and valuations of stocks remain at reasonable and attractive levels.

We observed a few soft spots emerging in the region in 2024:

- We remain wary of the effects of higher interest rate on the Real Estate Investment Trust (REIT) sector. Most of the REITs listed in Southeast Asia are highly geared and higher interest expense is expected to detract net property income. Asset recycling is expected to be more difficult amid an environment of higher cost of capital and valuation of assets face the threat of being discounted at higher rates.
- Earnings of most major banks in Singapore, Indonesia and the Philippines have benefited from expansion of net interest margin and lower credit cost in 2023. However, growth in 2024 is expected to be largely demand for loans. However, there are early indications of slowing loan growth as businesses turned more cautious in their investment plans amid a clouded outlook. Banks are also cautious in lending as they anticipate some worsening of credit quality as the cumulative effects of increases in interest rate ripple through the system. We would thus prefer to allocate capital from the banking sector to other sectors with stronger growth catalysts in 2024.
- We also expect to see some softness in domestic consumption in the region as the effect of higher cost of servicing debt and inflation erode consumers' wallet share. Consumers in the lower income group are downtrading. Our conversations with corporate revealed that the ability to raise selling price has reached its limit. However, profit margins remain defensible thanks to lower material and transportation costs.

ASEAN Growth Fund

Disclaimer

The ASEAN Growth Fund is an investment fund option for The Manufacturers Life Insurance Co. (Phils.), Inc. and is managed by Manulife Investment Management (Hong Kong) Limited.

The Investment Funds ("Funds") mentioned in this document are specific to variable life insurance contracts and are not considered mutual funds. Yields depend on interest and foreign exchange rate levels, both of which may fluctuate. Other factors that affect yield include changes in the credit standing of the issuers and changes in the value of the stocks and dividends received. Further, investments of the Funds may provide that their values be determined based on prices or yields of other securities, instruments or foreign currencies, and such provisions may result in negative fluctuations in the value of these investments and, in turn, the Funds' yields. Thus, the performance of the separate account(s) is not guaranteed and the value of the policy could be less than the capital invested subject to any specified minimum guarantees. **THE VARIABLE LIFE POLICYHOLDER SHALL BEAR ALL INVESTMENT RISKS.** Past performance of the Funds is not necessarily indicative of future performance. Yields are not guaranteed. Yields indicated are exclusive of charges associated with the variable life policy.

Manulife Investment Management™ is the institutional asset management arm of Manulife Financial. Manulife Investment Management™ and its affiliates provide comprehensive asset management solutions for institutional investors and investment funds in key markets around the world. This investment expertise extends across a full range of asset classes including equity, fixed income and alternative investments such as real estate, timber, farmland, as well as asset allocation strategies.

The opinions and portfolio holdings expressed are those of Manulife Investment Management™ ("Manulife IM") as of the date stated in the document, and are subject to change based on market and other conditions. The information in this document including statements concerning financial market trends, are based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. Manulife IM disclaims any responsibility to update such information. Information about the portfolio's holdings, asset allocation, or country diversification is historical and is not an indication of future portfolio composition, which will vary. All overviews and commentary are intended to be general in nature and for current interest. While helpful, these overviews are no substitute for professional tax, investment or legal advice. Clients should seek professional advice for their particular situation. Neither Manulife Financial, Manulife Investment Management™, nor any of their affiliates or representatives is providing tax, investment or legal advice. Past performance does not guarantee future results. This material was prepared solely for informational purposes, does not constitute an offer or an invitation by or on behalf of Manulife IM to any person to buy or sell any security and is no indication of trading intent in any fund or account managed by Manulife IM. Investors should not make investment decisions based on this material alone. For details, please refer to the relevant investment policy and product key fact statements.