

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 52.64 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.604	Management Fee 2.25% per annum	Bloomberg Ticker MPUSAGF	
Investment Fund Manager (the "Manager") Manulife Investment Management (Hong Kong) Limited			

Performance Return (July 31, 2023)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	4.70%	6.01%	7.43%	32.23%	32.02%	60.40%
Annualized	n.a.	n.a.	7.43%	9.76%	5.71%	4.52%

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	3.64
Frasers Centrepoint Trust	3.52
IGB Real Estate Investment Trust	3.43
PT Blue Bird Tbk	3.34
Robinsons Retail Holdings, Inc.	3.31
PT Selamat Sempurna Tbk	3.25
Taokaenoi Food & Marketing Public Company Ltd NVDR	3.12
Heineken Malaysia Bhd.	3.11
CapitaLand China Trust	2.99
Chularat Hospital PCL	2.97

Sector Allocation[^]

	%
Real Estate	22.73
Consumer Staples	19.79
Healthcare	14.62
Consumer Discretionary	10.21
Financials	10.17
Industrials	8.48
Information Technology	3.13
Materials	2.53
Communication Services	2.28
Energy	2.18
Cash & Cash Equivalents	3.88

Geographical Allocation[^]

	%
Thailand	23.38
Singapore	22.76
Indonesia	20.49
Malaysia	17.63
Philippines	9.25
Vietnam	2.61
Cash & Cash Equivalents	3.88

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

ASEAN Growth Fund

Market Review

ASEAN small cap equities posted gains for the month, on the back of the Fed's monetary policy trajectory and China's policy stimulus. In the U.S., the Fed raised rates by 25 basis points in July amid softer-than-expected inflation, with market expectations over potential end of its rate hike cycle. ASEAN markets were driven higher, thanks to favorable market sentiment amid a pro-growth statement released by China's Politburo, coupled with a raft of targeted stimulus policies.

Malaysia equities posted gains on the back of optimism over China's stimulus and rising oil prices. On the economic front, exports contracted by 16.3% (year-on-year) in June.

Thai equities also moved higher as the market focused on increased tourist arrivals over political developments. Instability continued as the leader of the Move First party, whose party won the most parliamentary seats in May's general election, was effectively barred from seeking the position of prime minister, leading to a search among coalition partners. On the economic front, the country's current account balance flipped into surplus for June (\$1.4 billion).

Indonesian equities posted gains as Bank Indonesia kept rates on hold amid decelerating inflation.

Singapore equities moved higher. On the economic front, second-quarter GDP grew by 0.7% (year-on-year), averting a technical recession.

Philippines equities recorded marginal gains amid stabilizing inflation and narrowing trade deficits. On the policy front, President Marcos proclaimed policies in his annual state of the nation address to build a 'new Philippines', including plans to build a sovereign wealth fund, which the president signed into law.

Outlook

Southeast Asia remains a fertile ground for stock selection. Indonesia's economy continues to benefit from high (albeit lower from the peak) commodity and soft commodity prices. Sales of residential properties remain robust and hotel occupancy and room rates have normalized and, in some cases, surpassed pre-Covid levels. Travel activity and mobility have resumed, and this has driven demand for transportation (cabs) and replacement of auto parts. We also see strength in middle-to upper income consumption. The recent passing of Omnibus Health Bill, which addresses the shortage and distribution of doctors and specialists in Indonesia bodes well for expansion of private health care services in the longer term.

In Singapore, we see opportunities in wealth management and healthcare services. Banks are expected to continue to benefit from the inflows of funds from family offices in Asia and we see strong demand for private healthcare services from residents in Vietnam, Laos, Myanmar and Cambodia.

The Philippines remains an under-appreciated market. We noticed a divergence of interests between corporates and equity investors. While corporates in the ASEAN region are looking to expand their market presence and invest in the Philippines, equity investors have showed little interest, so far. This presents an opportunity, in our view. Macro headwinds, such as inflation and rapid rise in interest rate, are dissipating. Economic activities have continued to recover, supported by business-friendly policies. Liquidity in the banking system remains ample and asset quality is showing signs of further improvement. The strong growth potential in domestic consumption has continued to attract investments from peers in the ASEAN region. More importantly, valuations of stocks appear reasonable and undemanding at current levels.

One needs to be more selective in Thailand. High household debt continues to weigh on domestic consumption. Lingering political uncertainty following the election has kept investors on the sideline. Most stocks are also trading on high multiples. We are navigating around the multiple challenges in the Thai market by investing in companies benefiting from the recovery in tourism and foreign direct investments in Thailand and their ability to expand market share overseas. These companies are expected to deliver strong revenue growth, which is expected to translate into higher profit growth as the effect of operational leverage kicks in.

Malaysian equities are reeling from the issues of lack of growth and weak currency. Valuation of stocks in the technology sector has yet to fully reflect a weak earnings cycle, in our view, implying further downside. We prefer opportunities in the consumer sector. We are investing in companies with strong retail brand franchise with strong management capability. Companies with such attributes are expected to demonstrate greater ability to defend and gain market share from their weaker peers.

ASEAN Growth Fund

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