

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 58.61 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.591	Management Fee 2.25% per annum	Bloomberg Ticker MPUSAGF	
Investment Fund Manager (the "Manager") Manulife Investment Management (Hong Kong) Limited			

Performance Return (March 31, 2022)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	3.38%	-1.06%	5.50%	21.08%	45.56%	59.10%
Annualized	n.a.	n.a.	5.50%	6.58%	7.80%	5.10%

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	3.24
Mapletree Industrial Trust	3.16
Com7 Public Co. Ltd.	3.14
SIA Engineering Co. Ltd.	3.01
PT Sumber Alfaria Trijaya	2.97
PT Industri Jamu dan Farmasi Sido Muncul Tbk	2.86
Chularat Hospital PCL	2.83
TISCO Financial Group Public Co. Ltd. NVDR	2.79
PT Medikaloka Hermina Tbk	2.78
Eastern Polymer Group Public Company Ltd	2.78

Sector Allocation[^]

	%
Real Estate	16.95
Consumer Staples	15.46
Healthcare	13.77
Industrials	12.77
Consumer Discretionary	8.83
Information Technology	8.43
Financials	7.53
Communication Services	5.26
Materials	3.94
Energy	3.32
Utilities	1.06
Cash & Cash Equivalents	2.68

Geographical Allocation[^]

	%
Singapore	28.96
Thailand	21.93
Indonesia	19.16
Malaysia	15.80
Philippines	8.76
Vietnam	2.70
Cash & Cash Equivalents	2.68

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

ASEAN Growth Fund

Market Review

ASEAN small cap equities posted gains for the month as most ASEAN equity markets outperformed regionally due to attractive valuations, rich commodity exports, and continued reopening. However, the two negative factors from February that weighed on global equity markets continued in March: elevated inflation and rates and amplified geopolitical tensions. The Federal Reserve raised interest rates by 25 bps in March, signaling more aggressive rate hikes to combat inflation, while the 10-year US Treasury surged to 2.30%. The ongoing Russia-Ukraine conflict exacerbated existing inflationary pressures and raised the specter of stagflation, as growth forecasts were cut due to escalating oil prices, faltering supply chains, and deteriorating demand in some countries.

Indonesian equities posted gains for the month as investors bet the economy's economic recovery would continue, despite global risks, due to its larger domestic economy, rich commodity base, and continued tech IPO launches. The country's largest tech group, which was formed through a merger of a ride hailing app and ecommerce site, booked US \$1.1 billion at the end of March and will launch in April. The implied market capitalisation would make it the fourth-largest firm on the local exchange. On the policy front, the government delayed the imposition of the carbon tax on coal-based power plants back to July due to escalating energy prices.

Malaysian equities were higher on the back of positive news from continued strengths in commodities and materials. Malaysia also opened its international borders to visitors in March for the first time in two years, and Singapore planned to open the border with Malaysia on 1 April.

The Philippines equity market moved lower for the month on the back of negative economic news, even as the economy has gradually reopened with a reduction in COVID-19 cases. A rapid increase in oil prices, coupled with significant debt from COVID-relief programs, poses the specter of a twin deficit (fiscal and current account) weighing on growth. On the policy front, President Duterte signed an executive order incorporating nuclear energy into the nation's energy profile.

Singaporean equities moved higher for the month as the government announced a new policy of 'living' with COVID-19, which led to the significant easing of most social distancing restraints on 1 April. On the economic front, exports grew by 9.5% (year-on-year) in February, a deceleration from previous months.

Thailand was higher as the country continued to open to foreign tourists (removing the COVID-certificate travel requirement), while the number of COVID-19 cases increased to a new high. On the policy front, the government approved subsidies for oil, gas, and electricity from May 2022 to July 2022.

Outlook

Global events took an unexpected turn in 1Q22. The Russia-Ukraine conflict and resulting geopolitical stress have further complicated the macro landscape for 2022. The extended disruption to global supply chains, exacerbated by the recent resurgence of COVID-19 cases in China and surge in commodity prices have amplified the risk of inflation. Many central banks in the developed countries are pushing ahead with monetary policy normalization. In fact, the Fed has doubled down on hawkishness. The pace of interest rate hike and quantitative tightening is expected to accelerate in subsequent months. In our view, the interaction of soaring inflation, rising interest rates, debt problems in the developing world and the lingering coronavirus could create unpredictable outcomes and create unanticipated problems. Tightening in this environment raising the downside risks to economic growth.

There are many factors rattling the financial system currently. There may be vulnerabilities lurking that are not immediately evident, and we would not know their nature until shocks expose them, and the financial ramifications should not be taken lightly, in our view. Liquidity growth has slowed markedly in recent months—from a record 21.5% in March 2021 to 5.4% by mid-March 2022, the slowest rate since April 2020 (source: MIM 2Q22 Global Macro Outlook Report). A declining global liquidity impulse is most relevant to emerging market (EM) GDP growth, earnings, and risk assets.

We expect positive earnings revision in equity markets leveraged to higher commodity prices and post-COVID recovery. ASEAN markets may see further earnings revisions upgrades amidst further recovery through reopening and double-digit retail sales growth.

Against the backdrop of heightened risk and greater 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:

- Have strong market position,
- Operates in sectors with high entry barriers,
- Possess strong pricing power,
- Have the ability to defend or improve profitability through product upgrades and innovations and,
- Have spare cash to confront any untoward incidents from external shocks.

ASEAN Growth Fund

ASEAN remains the bright spot in the region. Thanks to high vaccination rates, most countries in the region are on track to re-open their borders and domestic economies. Economic activities have gathered pace and companies affected by lockdowns, particularly companies in the transportation sector, are seeing improvement in business operations. Banks across the region have seen improvement in asset quality and pick up in loan growth. We expect to see earnings upgrades among major banks in Indonesia, thanks to a better-than-expected improvement in asset quality. While banks in Singapore may receive a boost from rising interest rates, near term earnings may be dampened by lower fee income as capital market activities slowed during 1Q22. We expect domestic consumption in the region to recover from a low base in 2020 and 2021. In fact, a few of the consumer companies have delivered earnings that exceeded pre-COVID levels in FY21. Within the sector, we prefer retailers to producers as retailers have wider options in terms of managing cost inflation, either through procurement of lower cost merchandise from cheaper sources or a direct pass-through to consumers. Medical tourism is also expected to recover as borders reopen in ASEAN. Hospitals in Thailand are taking patients from the Middle East again and we expect recovery in Singapore hospitals to follow in due course. While commodity related stocks in ASEAN have performed strongly on the back of supply shock arising from the Russia-Ukraine conflict, we are reluctant to participate in this rally. Factors driving price reaction in the commodity space may change very quickly within a short period of time, as evidenced by the recent decline in oil prices. We are also wary investing in high growth stocks with long payback duration as growth may be disrupted by lack of access to cheap capital amid quantitative tightening and valuations may de-rate on the back of higher risk premiums.

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.