

# 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

<b>Inception Date</b> November 2012	<b>Fund Size</b> USD 57.26 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 1.566	<b>Management Fee</b> 2.25% per annum	<b>Bloomberg Ticker</b> MPUSAGF	
<b>Investment Fund Manager (the "Manager")</b> Manulife Investment Management (Hong Kong) Limited			

## Performance Return (May 31, 2022)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.51%	-2.61%	-0.25%	22.73%	37.01%	56.60%
Annualized	n.a.	n.a.	-0.25%	7.06%	6.50%	4.83%

## Why ASEAN markets

- **We know the ASEAN markets well:** With presence in the key ASEAN-6<sup>#</sup> and Greater China markets, we have in-depth knowledge and understanding of the region.
- **An under-appreciated side of Asia:** ASEAN<sup>###</sup> 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.

<sup>#</sup>ASEAN-6 includes Singapore, Thailand, Indonesia, Vietnam, Malaysia and Philippines.

<sup>###</sup>Predominantly represented by Indonesia, the Philippines, Thailand, Malaysia, and Singapore

## Top Ten Holdings

	%
Raffles Medical Group Ltd	3.30
PT Medikaloka Hermina Tbk	3.28
Sheng Siong Group Ltd.	3.07
Venture Corporation Limited	3.02
SIA Engineering Co. Ltd.	2.99
Mapletree Industrial Trust	2.94
Eastern Polymer Group Public Company Ltd	2.94
Uchi Technologies Bhd.	2.79
TIME dotCom Bhd.	2.72
Parkway Life Real Estate Investment Trust	2.69

## Sector Allocation<sup>^</sup>

	%
Real Estate	18.13
Consumer Staples	14.68
Healthcare	13.83
Industrials	10.95
Information Technology	10.12
Financials	8.15
Consumer Discretionary	6.97
Communication Services	4.45
Materials	3.85
Energy	3.80
Utilities	0.97
Cash & Cash Equivalents	4.11

## Geographical Allocation<sup>^</sup>

	%
Singapore	28.78
Thailand	20.93
Indonesia	19.04
Malaysia	16.63
Philippines	8.07
Vietnam	2.44
Cash & Cash Equivalents	4.11

<sup>^</sup>Figures may not sum to 100 due to rounding.

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## Market Review

ASEAN small cap equities were lower for the month as negative drivers of rising global rates/inflation and the continuing Russia-Ukraine conflict remained. The Federal Reserve, as expected, raised the fed funds rate by 50 bps to a range of 0.75-1.00%. Inflation pressures stayed elevated in the US, while in Europe the European Central Bank adopted a more hawkish tone to deal with escalating price pressures.

Indonesian equities posted losses in May, led by significant drawdowns in tech and banking stocks. Bank Indonesia kept interest rates on hold, while increasing the pace of bank reserve requirement ratio hikes, representing an acceleration of monetary policy normalization. On the policy front, the government announced US \$27 billion in energy subsidies to help offset rising energy costs, which is estimated to increase the budget deficit at the end of 2022 from the previous estimate of 4.0% of GDP to 4.5%. On the economic front, the country posted first-quarter GDP of 5.01% (year-on-year), while it posted a record trade surplus in April of US \$7.6 billion.

Malaysian equity markets ended lower for the month. On the political front, Prime Minister Ismail Sabri Yaakob resisted calls from his own party to call an early election (the next one is slated for 2023) to capitalize on increasing political popularity in recent local polls. Further, he stated that a Goods and Service tax would likely be reintroduced, after previously being retracted by then Prime Minister Mahathir Mohamad in 2018, to reduce pressure on strained central government fiscal resources. To combat rising inflation, Bank Negara Malaysia unexpectedly hiked interest rates by 25 bps to 2.00%. On the economic front, first-quarter GDP grew by 5.0% (year-on-year).

The Philippines equity market moved higher in May after the election of a new president. The election of Ferdinand Marcos Jr. sent markets immediately marginally lower over concerns that the newly-elected president would increase spending, deepening the dual deficits (fiscal and current account) amid spiking inflation. Meanwhile, the central bank increased rates by 25 bps to 2.25%, and offered hawkish guidance for further hikes as the peso's near-term depreciation continued.

Singapore equities moved notably lower for the month driven by weakness in the real estate sector, particularly REITs and weakness in palm oil prices. On the economic front, exports expanded by 6.4% (year-on-year) in April.

Thailand's equity market moved higher on the back of an increase in tourism. The Tourism Authority of Thailand raised its full-year forecast for tourists after a surge of foreign visitors entered the country in April and May after relaxing quarantine and COVID-19 testing protocols. Surging energy prices, however, helped contribute to the largest monthly current account deficit in nine years in April. First-quarter GDP expanded by 2.2% (year-on-year), marginally beating expectations.

## Outlook

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. The interaction of soaring inflation, rising interest rates, impending quantitative tightening, debt problems in the developing world and the lingering coronavirus could create unpredictable outcomes and create unanticipated problems. While investors are heaving a sigh of relief amid expectation of a moderating rate cycle and inflationary pressure going forward, we believe the financial ramifications of tightening global liquidity and impact of geopolitical risk should not be taken lightly.

Earnings outlook of companies in ASEAN continue to improve as economic activities normalize. We see further upside in earnings revision.

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.

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