

# 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 46.10 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 1.487	<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 (November 30, 2023)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	2.20%	-1.72%	-0.73%	12.31%	25.17%	48.70%
Annualized	n.a.	n.a.	-0.73%	3.95%	4.59%	3.67%

## 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

	%
IGB Real Estate Investment Trust	3.93
Century Pacific Food, Inc.	3.81
Frasers Centrepoint Trust	3.80
Sabina Public Co. Ltd. NVDR	3.30
Sheng Siong Group Ltd.	3.28
Chularat Hospital PCL	3.21
Bangkok Chain Hospital Public Co., Ltd.	3.17
Raffles Medical Group Ltd	3.16
PT Blue Bird Tbk	3.13
United Overseas Bank Limited	3.10

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

	%
Real Estate	23.04
Consumer Staples	18.88
Healthcare	13.65
Financials	11.42
Consumer Discretionary	11.22
Industrials	8.26
Energy	3.08
Materials	3.03
Communication Services	2.40
Information Technology	1.96
Cash & Cash Equivalents	3.06

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

	%
Thailand	26.35
Singapore	22.54
Indonesia	20.32
Malaysia	17.35
Philippines	8.15
Vietnam	2.23
Cash & Cash Equivalents	3.06

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

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## Market Review

ASEAN equities posted gains in November. Two catalysts propelled equities higher: (1) optimism over a peak in U.S.'s inflation and a potentially more dovish Fed; and (2) relaxation of COVID-19 restrictions in China. In the U.S., inflation decelerated in October and beat market expectations, sending equities sharply higher and U.S. Treasury yields lower. Furthermore, Fed's Chairman Powell made a statement later in the month that the quantum of rate hikes could change starting at the December meeting.

Indonesian equities posted marginal losses for the month. An e-commerce unicorn held by a cigarette conglomerate successfully listed the country's second-largest IPO (US\$509 million) of the year amid volatile trading. Bank Indonesia continued on its tightening path, raising rates by 50 bps to 5.25% while inflation moderated in October (5.71% - year-on-year). On the policy front, Indonesia signed a US \$20 billion agreement with a group of industrialized nations to help wean the country off coal production and embrace alternative energy sources. On the economic front, third-quarter GDP grew by 5.72% (year-on-year), above market expectations.

Malaysian equities posted solid gains for the month as the outcome of the country's general election dominated market sentiment. After the nation elected its first ever hung parliament, opposition leader Anwar Ibrahim formed a coalition government under his Pakatan Harapan alliance. Equities gained the most since March 2020 as political uncertainty was removed. Gaming and brewery companies led the rally as the political party that proposed curbs on their use failed to form the new government. The central bank hiked rates by 25 bps to 2.75%. On the economic front, third-quarter GDP surged by 14.2% (year-on-year), accelerating sequentially and beating market expectations off a low-base due to robust exports.

The Philippines equity market moved higher for the month. The central bank raised rates by 75 bps to 5.00% as inflation soared to a 14-year high of 7.7% (year-on-year) in October. On the economic front, third-quarter GDP grew by 7.6%, accelerating on a sequential basis and beating market forecasts.

Singapore equities moved higher for the month. On the economic front, exports contracted by 5.6% (year-on-year) in October.

Thailand's equity market gained for the month. A pet-food maker successfully launched the country's second-largest IPO (US\$588 million) of the year as market sentiment improved on the back of economic reopening. Bank of Thailand raised rates by 25 bps to 1.25%. On the policy front, the government will place a levy of 0.05% on stock trading (except for market makers and pension funds) starting from 1 January to help boost revenue, before it is ultimately raised to 0.1%. On the economic front, third quarter grew by 4.5% (year-on-year), above market expectations, after a steady rebound in tourism and exports led the current account to swing to surplus in September.

## Outlook

A lower-than-expected US inflation figure released in November led to a relief rally in most markets in 4Q22. While investors got excited over a slower pace of rate hike and potentially a rate cut towards the latter half of FY23, we prefer to err on the side of caution. Core inflation is expected to remain elevated, underpinned by a strong labour market and higher costs related to the recalibration of global supply chain. Interest rate may stay higher for longer. More importantly, the full impact of 2022's policy tightening has yet to work through the system. Bouts of liquidity tightness may pose risks to the stability of the financial system.

Going into 2023, we remain vigilant on the impact of tighter financial condition on Asia. Barring any financial shock, we see Asia's economic growth profile as stronger relative to developed markets. Growth in the region is expected to be supported by the normalization of economic activities in China and further recovery from Covid in other parts of Asia. The attractiveness of the region is accentuated by stocks trading on undemanding on valuations.

ASEAN markets have held up well relative to other Asian markets due to their relative 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.

Malaysia continues to receive FDIs in the electric and electronic segment. Singapore has become the preferred option for wealth management and financial services within Asia. Thailand is benefiting from a recovery in tourism post COVID while also benefiting from healthcare tourism and attracting investment within the EV supply chain. The Philippines continues to leverage on its English-speaking workforce and thrive on remittances from offshore foreign workers and growth in the business process outsourcing centers.

Structurally, our preferred ASEAN country is Indonesia where its government has laid a strong foundation for long term growth. The large investments in infrastructure together with policies directed at boosting foreign investment are reaping economic dividends. This has resulted in massive foreign investments in the downstream mining industry and EV battery materials which played a major role in improving the country's current account balances and reduce the country's vulnerability to capital and foreign exchange liquidity risks. Jokowi's reforms helped to improve Indonesia's ranking in the World Bank's Doing Business index from 120th in 2014 to 73rd in 2020.

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