

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 48.33 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.403	Management Fee 2.25% per annum	Bloomberg Ticker MPUSAGF	
Investment Fund Manager (the "Manager") Manulife Investment Management (Hong Kong) Limited			

Performance Return (October 31, 2022)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-1.54%	-12.75%	-14.03%	6.45%	15.47%	40.30%
Annualized	n.a.	n.a.	-14.03%	2.11%	2.92%	3.47%

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	4.34
Sheng Siong Group Ltd.	3.68
Venture Corporation Limited	3.21
Eastern Polymer Group Public Company Ltd	3.14
Century Pacific Food, Inc.	3.09
TISCO Financial Group Public Co. Ltd. NVDR	3.03
Mapletree Industrial Trust	2.97
PT Blue Bird Tbk	2.96
SIA Engineering Co. Ltd.	2.93
Robinsons Retail Holdings, Inc.	2.86

Sector Allocation[^]

	%
Consumer Staples	17.97
Real Estate	16.80
Healthcare	13.47
Financials	9.38
Industrials	9.37
Consumer Discretionary	8.00
Information Technology	7.81
Materials	4.37
Communication Services	4.35
Energy	2.68
Cash & Cash Equivalents	5.80

Geographical Allocation[^]

	%
Singapore	25.56
Thailand	21.05
Malaysia	18.25
Indonesia	16.51
Philippines	10.51
Vietnam	2.32
Cash & Cash Equivalents	5.80

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

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Market Review

ASEAN small cap equities posted losses in October despite a more benign global macro landscape. With no Federal Reserve meeting scheduled during the month, developed equity markets surged on the possibility that major central banks may throttle back aggressive monetary tightening policy. The Reserve Bank of Australia opted for a lower-than-expected rate hike (25 bps), and the Bank of England reverted to temporary gilt purchases to ensure financial stability for the nation's pension plans. Yet, the positive sentiment did not transfer to all of ASEAN, where the bifurcation of equity performance continued.

Indonesian equities ticked higher for the month. Bank Indonesia raised the policy rate by 50 bps to 4.75%, as inflation reached a seven-year high (5.95%- year-on-year) in September on the back of higher fuel costs. Equities were supported by net foreign buying (US\$ 796 billion). On the policy front, the government extended its export levy waiver on of palm oil through the end of 2022. In economics, the country posted a trade surplus of US\$5 billion in September as positive terms of trade continued on the back of increased global commodity prices.

Malaysian equities posted losses for the month. Markets experienced higher volatility due to the announcement of the country's 15th general election that is slated to be held on November 19. Overall, with a decline in oil prices, some resource names were pressured. On the policy front, the 2023 budget was released, which was overall viewed as more fiscally restrictive than expected; however, it allocated Ringgit 7.8 billion in cash to aid low-income households and individuals to combat rising inflation costs.

The Philippines equity market moved higher and outperformed regional markets. Equities rallied higher at the beginning and end of the month due to strengthened reopening optimism and weaker external macroeconomic headwinds, after underperforming regional peers for most of the year. On the economic front, inflation rose to a four-year high of 6.9% (year-on-year), fueling speculation of further monetary tightening.

Singapore equities moved lower for the month. The Monetary Authority of Singapore tightened monetary policy for the fourth time in one year by re-centering the mid-point of the Singapore dollar nominal effective exchange rate up to its prevailing level but kept the slope and width of the policy band unchanged. In policy, the government introduced a support fiscal package (SG \$1.5 billion) for middle- and lower-income households to combat rising cost-of-living costs. On the economic front, third-quarter GDP grew by 4.4% (year-on-year), escaping recession and beating market consensus.

Thailand's equity market was roughly flat for the month amid the reopening trade, as tourist arrivals exceeded 7 million for the first ten months of the year- ahead of previous estimates. On the economic front, the nation's current account unexpectedly swung into a surplus in September (US \$600 million) on the back of stronger exports.

Outlook

As the US central bank's officials have consistently stated their unconditional commitment to fight high inflation, investors have finally come to terms with the reality of a higher interest rate environment. Amid a tighter liquidity environment, companies are finding it increasingly difficult to obtain funding to sustain growth, asset prices become more volatile, and investors are less willing to take on risk. Private companies have been unable to list their shares publicly and banks have had to withdraw planned debt financings for their clients after investors turned more cautious and become more risk averse.

Further, rising geopolitical conflict and tension around the world and moderating global growth outlook have induced risk-off sentiment and increased demand for dollar assets. Currencies of other major economies have depreciated against the US dollar. Financial vulnerabilities have certainly increased as successive bouts of tumult in stocks and bonds, tightening of liquidity, and a surging dollar cause rising levels of stress in the financial system.

After seven consecutive quarters during which commodities outperformed other asset classes (on a USD-denominated basis), commodities are overall retreating. Demand for commodities is expected to soften as growth in China and the rest of the world decelerate on the back of increasing stress in the financial system and geopolitical risks. While lower commodity prices bode well for manufacturers of goods, it presents risk to earnings of miners and countries relying on commodity exports.

As the world and financial markets are in disarray, we expect companies to shift their focus from growth to preservation of capital, and from gaining market share through aggressive marketing spend to product and service differentiation. Companies who suffered from higher raw material and freight costs during the earlier part of year are expected to get some relief from softening commodity prices and freight rates.

ASEAN markets have held up well relative to other Asian markets. The region is mainly supported by resilient financial and economic conditions relative to their emerging market peers and relative to historical period of 1997 and 2013. Further, the market is largely represented by the financial sector, whose earnings are expected to grow on higher net interest margins (thanks to a rising interest rate trend) and lower credit cost (economy re-opening), and the material and energy sector, whose earnings are boosted by strong commodity prices. However, we are turning more cautious in the commodity sector and watching credit quality of banks more closely as liquidity tightens on aggressive Fed rate hikes. We believe a lot has been priced in in both sectors. Going forward, we prefer to invest in companies with proven management track record, strong balance sheet and cash flow and sell products or services with sustainable demand, particularly in the health care and consumer sectors. Earnings of these companies are also improving as economic activities normalize after re-opening. More importantly they remain under-appreciated and attractively priced.

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