

ASEAN Growth Fund

An investment fund option for the 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 54.29 million | Fund Currency US dollar | Dealing/Valuation Daily |
| Price (NAV/unit) USD 1.256 | Management Fee 2.25% per annum | Bloomberg Ticker MPUSAGF | |
| Investment Fund Manager (the "Manager") Manulife Investment Management (Hong Kong) Limited | | | |

Performance Return (August 31, 2020)

| ASEAN Growth Fund (net of management fee) | 1 Month | YTD | 1 Year | 3 Years | 5 Years | Since Inception |
|--|---------|--------|--------|---------|---------|-----------------|
| Absolute | 3.54% | -5.85% | -4.34% | 8.65% | 37.72% | 25.60% |
| Annualized | n.a. | n.a. | -4.34% | 2.80% | 6.61% | 2.98% |

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

| | % |
|---|------|
| Sheng Siong Group Ltd. | 3.69 |
| Mapletree North Asia Commercial Trust | 3.45 |
| Parkway Life Real Estate Investment Trust | 3.31 |
| Frasers Logistics & Commercial Trust | 3.13 |
| R&B Food Supply Public Company Ltd NVDR | 3.09 |
| Com7 Public Company Limited NVDR | 2.96 |
| Venture Corporation Limited | 2.89 |
| IGB Real Estate Investment Trust | 2.79 |
| Raffles Medical Group Ltd | 2.77 |
| Century Pacific Food Inc. | 2.71 |

Sector Allocation[^]

| | % |
|-------------------------|-------|
| Real Estate | 28.05 |
| Consumer Staples | 21.91 |
| Healthcare | 10.97 |
| Consumer Discretionary | 10.21 |
| Information Technology | 7.83 |
| Industrials | 7.12 |
| Financials | 6.15 |
| Materials | 2.48 |
| Energy | 1.63 |
| Cash & Cash Equivalents | 3.66 |

Geographical Allocation[^]

| | % |
|-------------------------|-------|
| Singapore | 35.47 |
| Malaysia | 19.88 |
| Thailand | 18.05 |
| Indonesia | 14.72 |
| Vietnam | 4.26 |
| Philippines | 3.97 |
| Cash & Cash Equivalents | 3.66 |

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

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Market Review

ASEAN small cap equity markets moved higher in August on the back of global risk-on sentiment. A gradually mending global economy and dovish Federal Reserve pushed equity markets higher despite lingering Sino-US tensions. In late August, the Federal Reserve introduced a new policy framework which markets broadly interpreted as a signal of “lower for longer” interest rates that fueled bullish sentiment.

The Indonesian equity market rose for the month. A government debt monetization plan sparked concern Indonesian equity markets moved higher for the month. On the policy front, President Widodo released his 2021 budget in mid-August, which called for an increase of spending of 0.3% in 2021. He also stated the government might tap the central bank as a “stand by” buyer of government debt in 2021, as it has extensively this year, if the market could not digest it all. At the end of the month, investors expressed concern as a parliamentary committee proposed revisions to Bank Indonesia’s operations in a bill, which would expand the central bank’s mandate to include employment goals, place government officials on the monetary policy committee, and allow temporary financing to the government following revenue shortfalls through bond issuance.

In Malaysia, equity markets moved higher even as the economy contracted by 17.1% in the second quarter, its largest quarterly decline since the Asian Financial Crisis. As a result, parliament raised the government’s fiscal debt ceiling to 60 percent of GDP (from the previous 55% of GDP) until 2022 to allow more fiscal room to bolster the economy.

In the Philippines, equity markets moved marginally higher for the month. The House of Representatives passed a US \$3.3 billion stimulus bill to provide subsidies to the unemployed and loans to small businesses. As government debt has ballooned, the Philippines central bank paused on interest rate hikes in August but revealed it had purchased US \$16.4 billion, or 45% of issued domestic debt, in primary and secondary bond markets through July. On the economic front, the economy contracted by 16.5% (year-on-year) in the second quarter.

Thailand equities were higher as the government announced that European long-stay visitors in Thailand would be allowed into the country starting in 2021, boosting tourism equities sentiment. The government also announced plans to front-load new fiscal year spending on road and rail projects starting in October to bolster economic growth. These plans were announced after GDP in the second quarter contracted by 12.2% (year-on-year), the largest quarterly contraction posted since the Asian Financial Crisis.

Singapore’s equity market moved higher for the month. Equities staged a rally towards the end of the month, as the Federal Reserve’s new inflation targeting policy is expected to keep yields lower for longer, benefitting the territory’s index concentration of firms in banking and property. On the policy front, the government released strict new regulations raising the threshold for salaries eligible for visas; the measures are expected to limit the number of foreign workers in the country. Finally, exports posted a 6.0% gain (year-on-year) in July on the back of increased demand for specialized machinery and pharmaceuticals.

Outlook

The reopening of South East Asia economies is occurring gradually. The spread of the virus appeared to be well-contained in Malaysia, Thailand and Vietnam. Economic activities in these countries have resumed, but we believe it will take some time before they return to pre-COVID levels. In the recent reporting season, Malaysian companies are showing signs of benefiting from supply chain diversification and shift from China. In Indonesia, the government is working towards passing the long-awaited Omnibus Law, which will set the stage for attracting foreign direct investments to the country. Once the law is passed, the Indonesian government is ready to open up the electric vehicle supply chain and the health care sector to foreign participations.

Disclaimer

The ASEAN Growth Fund is an investment fund option for The Manufacturers Life Insurance Co. (Phils.), Inc.’s Affluence Gold, Affluence Max Gold, Manulife Affluence Builder, and Manulife Horizons, and is managed by Manulife Investment Management (Hong Kong) Limited.

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