

# 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

<b>Inception Date</b> November 2012	<b>Fund Size</b> USD 57.54 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 1.387	<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 (December 31, 2020)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	4.76%	3.97%	3.97%	9.30%	46.77%	38.70%
Annualized	n.a.	n.a.	3.97%	3.01%	7.98%	4.12%

## 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

	%
Comfortdelgro Corporation Limited	3.77
PT Aneka Tambang Tbk	3.59
Frasers Logistics & Commercial Trust	3.19
Raffles Medical Group Ltd	3.03
Century Pacific Food Inc.	2.78
Com7 Public Company Limited NVDR	2.76
PT Ciputra Development Tbk	2.73
CapitaLand Retail China Trust	2.66
SKP Resources Bhd.	2.60
R&B Food Supply Public Company Ltd NVDR	2.54

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

	%
Real Estate	27.33
Consumer Staples	17.49
Industrials	12.24
Consumer Discretionary	11.23
Healthcare	8.86
Information Technology	8.71
Financials	4.20
Materials	3.59
Communication Services	2.31
Energy	0.98
Cash & Cash Equivalents	3.07

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

	%
Singapore	35.86
Thailand	18.70
Malaysia	18.61
Indonesia	15.55
Philippines	5.14
Vietnam	3.07
Cash & Cash Equivalents	3.07

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

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## Market Review

All ASEAN markets were higher for the month despite a rise in COVID cases and an extension of social distancing restriction in some markets. Markets rose on the back of numerous positive catalysts such as the beginning of the COVID-19 vaccination rollout in many countries, the US Congress passed a \$900 billion stimulus bill, and the United Kingdom reached a last-minute Brexit deal with the EU. The weak US dollar also provided support for ASEAN equity markets, as the sliding greenback helped boost gains for all major ASEAN currencies.

The Indonesian equity market rose higher for the month. Bank Indonesia kept interest rates on hold, while the government stated that it would return to the previous statutory fiscal ceiling (3%), which was revised last year to permit greater government spending during the COVID-19 pandemic.

In the Philippines, equity markets rose for the month. President Duterte approved a record USD \$93.6 billion budget for 2021, which resulted in the government raising the 2021 statutory fiscal ceiling to 8.9% of GDP to accommodate the surge in spending.

In Malaysia, markets moved higher. Markets rose after Prime Minister Muhyiddin Yassin successfully passed his budget in parliament in mid-December, reaffirming his majority and legitimacy to rule over the short-term. At the end of the month, the government reimposed selective COVID-19 measures. Palm oil stocks rose as prices of the commodity rose to an eight-year high on the back of shrinking Malaysian stockpiles and tight global vegetable supplies.

Optimism over economic recovery drove Thai equity markets higher despite a spike in COVID-19 cases. Equities moved higher on bullish sentiment despite a local spike in COVID-19 cases, which required the selective lockdowns of certain areas. Political instability improved as protestor groups that had taken to the streets in 2020 demanding reformation of the country's constitution and monarchy put a "pause" on protests until 2021. On the policy front, the US Treasury placed the Baht on a watch list for currency manipulation.

Singapore's equity market moved higher for the month. Markets rose as Singapore became one of the first countries in Asia to begin COVID-19 vaccinations and entered the final stage of COVID-19 curbs, raising hope for faster economic recovery. On the economic front, exports contracted in November (4.9% year-on-year) for the second month.

## Outlook

On Nov 15, China and 14 other countries signed the Regional Comprehensive Economic Partnership (RCEP), which accounts for 30% of the world population and 30% of global GDP making it the world's largest trading region. The RCEP is a key milestone for South East Asian countries to advance as a global manufacturing hub. It will eliminate c. 92% of import tariffs and clear up various hurdles such as the Rules of Origin, promoting the shift of manufacturing to ASEAN amid the persisting US-China tension. As estimated by the World Bank, South East Asian countries would see their GDP to expand by 0.1- 0.8% and exports to expand by 0.3-4.7% higher than baseline in 2030. The increase in manufacturing jobs is a key driver for income growth and urbanization, creating further opportunities for consumers sectors.

We see each South East Asian country attract FDIs based on what they can offer in terms of their competitive and comparative advantages. Thailand has a strong automotive supply chain and a well-established food manufacturing industry. Malaysia has an advantage in the manufacturing of electronic and electrical products, rubber gloves and wooden furniture. Philippines provides great service in terms of business process outsourcing (BPO) and Indonesia is offering itself as the hub for electric vehicle supply chain. Vietnam has established a niche in the manufacturing of smartphones and Vietnam and Cambodia offer the advantage of textile and apparel manufacturing. Singapore serves as the key financial hub supporting capital investments in the region.

In order to attract FDIs, governments in this region have invested in improving transport and logistic infrastructure over the years. They have also passed laws and simplify processes to create a business friendly environment for foreign investors. For example, the long awaited Omnibus law was approved by the Indonesian parliament on 5th October 2020. One of the main points addressed in this reform is the reduction of corporate severance payment liability from a previous maximum of 32 months to 19 months (with an additional 6 months paid by the Government). The law would also ease restrictions in critical areas, including labor law, capital investment, licensing, corporate tax, and land acquisition. This set the stage for global manufacturers to establish operations in Indonesia.

Tourism sector in South East Asia was badly affected by COVID-19. As vaccination work is underway, we believe the recovery of tourism industry should help revive economic growth in the region. If all goes well, we expect to see a more meaningful recovery to occur towards the latter half of 2021.

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## Disclaimer

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