

# 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 54.25 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 1.204	<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 (February 29, 2020)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-5.49%	-9.75%	-8.23%	12.63%	5.15%	20.40%
Annualized	n.a.	n.a.	-8.23%	4.04%	1.01%	2.59%

## 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

	%
Mapletree Logistics Trust	4.76
IGB Real Estate Investment Trust	4.45
Mapletree Industrial Trust	4.12
Ascott Residence Trust	3.85
Sheng Siong Group Ltd.	3.60
TISCO Financial Group Public Co. Ltd. NVDR	3.28
Keppel DC REIT	3.20
Parkway Life Real Estate Investment Trust	3.16
Bangkok Chain Hospital Public Co. Ltd. NVDR	3.01
Raffles Medical Group Ltd	2.84

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

	%
Real Estate	37.20
Consumer Staples	14.22
Financials	10.30
Consumer Discretionary	8.76
Healthcare	7.86
Information Technology	7.27
Utilities	3.33
Industrials	2.81
Materials	2.74
Energy	2.54
Cash & Cash Equivalents	2.98

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

	%
Singapore	34.97
Malaysia	19.48
Indonesia	19.24
Thailand	16.09
Vietnam	4.03
Philippines	3.21
Cash & Cash Equivalents	2.98

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

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## Market Review

ASEAN markets were lower for the month driven by Indonesia and Thailand. Indonesian equity markets posted losses due to amplified global market volatility, particularly sharp weakness in the rupiah. Bank Indonesia slashed interest rates by 25 basis points to boost market liquidity. The government introduced a fiscal stimulus bill totalling USD \$742 million for the tourism, airline, and consumer sectors to offset the economic impact. Thailand markets moved lower on political instability and economic concerns over declining tourism. Domestic consumption was also dampened by a severe flood in the north. Singapore's government released its 2020 budget that will offer significant fiscal stimulus (\$US 4.0 billion) to businesses and consumers, which is forecast to result in the highest budget deficit (2.1% of GDP) in roughly a decade. In the Philippines, concerns over the impact of the coronavirus led the central bank to cut interest rates by 25 bps. In Malaysia, the equity market moved lower on political impasse along with plunging oil and commodity prices due the spread of the coronavirus.

## Outlook

The outlook of South East Asian markets has changed in the past one month. Indonesia remains the most preferred market in ASEAN. Low interest rate and lower oil price continues to remain supportive of Indonesia's macro development. Further, many companies appeared oversold and they are trading on cheap valuations. While there short term weakness may persist, the outlook of Indonesia remains promising in the longer term.

Thailand's economic corporate earnings growth are hampered by a severed drought, which affected farm income and a sharp fall in tourist arrival. The sudden drop in oil price is also expected to derail the earnings path of oil and gas companies in the country. Weakness in domestic economy, domestic consumption, tourist spending and lower oil price is expected to contribute to underperformance of the market going forward.

In Malaysia, the path to reform was disrupted following a sudden change and the appointment of a new Prime Minister. Heightened political uncertainty amid an increasingly challenging growth environment increases the risk premium of Malaysian stocks. Further, the earnings growth outlook of most companies remained soft. That said, we are still able to find and invest in businesses with resilient earnings due to their strong position in the market and their ability to gain market share from their weaker peers.

The outlook of Singapore market has also changed. The expectation of a pause in interest rate cut was derailed by the outbreak of COVID-19 in developed markets in the US and Europe. This has led to a 50bps interest rate cut by the US FED. Lower rates outlook is expected to put pressure on interest income of banks. Further, weakness in economic activity may renew concerns around the asset quality of banks, especially their exposure to the oil and gas sector. We expect the sector to underperform in the near term. S-REITs with the ability to sustain their dividend payout remain the preferred investment option amid a lower interest rate environment.

We remain sanguine on the long term outlook of Vietnam. While the spread of COVID-19 may dampen domestic consumption in the near term, we believe the long term supply chain shift from China will continue. This should continue to drive income growth and domestic consumption in the longer term.

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### Disclaimer

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