

# 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 51.51 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 1.151	<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 (June 30, 2020)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	3.60%	-13.72%	-14.23%	0.61%	9.51%	15.10%
Annualized	n.a.	n.a.	-14.23%	0.20%	1.83%	1.87%

## 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

	%
R&B FOOD SUPPLY PC	3.69
Sheng Siong Group Ltd.	3.57
Mapletree North Asia Commercial Trust	3.48
Parkway Life Real Estate Investment Trust	3.42
Raffles Medical Group Ltd	3.19
FRASERS LOG & COM	2.85
PT Industri Jamu dan Farmasi Sido Muncul Tbk	2.80
IGB Real Estate Investment Trust	2.76
Com7 Public Company Limited NVDR	2.76
Venture Corporation Limited	2.70

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

	%
Real Estate	30.16
Consumer Staples	21.24
Healthcare	8.90
Financials	8.88
Consumer Discretionary	7.41
Industrials	7.12
Information Technology	6.45
Materials	2.78
Utilities	2.12
Energy	1.51
Cash & Cash Equivalents	3.44

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

	%
Singapore	34.63
Malaysia	18.96
Thailand	18.94
Indonesia	13.41
Philippines	6.48
Vietnam	4.15
Cash & Cash Equivalents	3.44

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

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## Market Review

ASEAN markets rebounded strongly as on the back of increased government support and the reopening of economies as governments begin to relax restrictions.

The Indonesian equity market recovered on the back of optimism over economic opening and stimulus packages. The government announced a revised record budget of US \$193 billion, which would result in a fiscal deficit of 6.34% of GDP. Meanwhile, Bank Indonesia cut interest rates by 25 bps to 4.25%, and the Ministry of Finance began negotiations with the central bank for it to purchase roughly US \$40 billion in government debt related to the social safety net and SME funding for reduced interest payments, potentially including no interest payments.

In Malaysia, markets rose on the back of expectations of greater stimulus. The Malaysian government introduced a USD 8.2 billion additional stimulus package in June- the most recent initiative since the government's initial stimulus was introduced in March. Standard and Poor's affirmed the country's credit rating but lowered the credit outlook to 'negative' from 'stable' due to heightened political uncertainty and the government's deteriorating fiscal position in difficult economic conditions.

In the Philippines, equity markets recovered on the back of further monetary stimulus. The central bank unexpectedly cut interest rates by 50 bps to a record low of 2.25%.

Singapore's equity market moved higher in June. As Singapore gradually lifted restrictions related to COVID-19, markets rose on optimism of economic rebound. However, monthly economic data remained negative: retail sales plunged by a record 52.1% year-on-year in May due to the lockdown, while exports contracted in May after posting three months of consecutive growth.

Thailand equities rebounded on optimism over further economic re-opening. Thailand continued to open business and schools during the month as markets gained on optimism of a full economic re-opening. Banking stocks, however, moved lower after the central bank announced that lenders should skip dividend payments in 2020 and avoid share buybacks until capital-management plans are drafted and submitted to the central bank.

## 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. Activities in the stock markets in Malaysia and Thailand have largely been driven by retail participation. There are signs of disconnect between fundamentals and valuations of stocks. We would select stocks carefully in these markets and focus on investing in companies with strong balance sheet and sustainable earnings profile. The recovery of Indonesia and the Philippines is expected to take a much longer time than its other peers in ASEAN. The number of COVID-19 cases is still rising and social distancing is still in place in both places. The earnings outlook of companies in these two markets is expected to remain soft going forward.

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### Disclaimer

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