

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 41.48 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 0.923	Management Fee 2.25% per annum	Bloomberg Ticker MPUSAGF	
Investment Fund Manager (the "Manager") Manulife Investment Management (Hong Kong) Limited			

Performance Return (March 31, 2020)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-23.34%	-30.81%	-29.76%	-15.55%	-16.32%	-7.70%
Annualized	n.a.	n.a.	-29.76%	-5.48%	-3.50%	-1.09%

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	5.22
Mapletree Industrial Trust	4.80
Sheng Siong Group Ltd.	4.44
Keppel DC REIT	4.06
Parkway Life Real Estate Investment Trust	3.86
Ascott Residence Trust	3.31
Bangkok Chain Hospital Public Co. Ltd. NVDR	3.30
Raffles Medical Group Ltd	3.28
Hartalega Holdings Bhd.	2.85
PT Industri Jamu dan Farmasi Sido Muncul Tbk	2.83

Sector Allocation[^]

	%
Real Estate	35.86
Consumer Staples	16.91
Healthcare	9.46
Financials	9.36
Information Technology	6.34
Consumer Discretionary	5.61
Utilities	4.56
Materials	2.87
Industrials	2.05
Energy	1.41
Cash & Cash Equivalents	5.55

Geographical Allocation[^]

	%
Singapore	39.94
Malaysia	16.55
Indonesia	15.70
Thailand	13.97
Philippines	4.27
Vietnam	4.01
Cash & Cash Equivalents	5.55

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

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Market Review

All ASEAN markets were lower for the month as governments were imposing mass lockdowns. In response to the slowing growth, central banks all took action to ease monetary policy and announced various forms of fiscal support. A wave of redemptions triggered by liquidity squeeze in the high yield market and money market funds triggered an indiscriminate selling in ASEAN markets. However, stocks recovered after the Fed and central banks injected ample liquidity to the system to ease tension in the market.

Indonesian equity markets moved sharply lower on the back of global volatility. While covid-19 cases in Indonesia stayed relatively low compared to the country's population size, equity markets were negatively impacted by global market volatility. The country's equity and bond markets showed significant capital outflows, as the Rupiah significantly depreciated against the US dollar. In response, Bank Indonesia cut the key policy rate by 25 bps to 4.50%, while the Indonesian government announced further fiscal stimulus programs.

Singapore's equity market markets were lower for the month. On the policy front, the Monetary Authority of Singapore set the Singapore's dollar rate of appreciation at zero, while also effectively lowering the mid-point of the policy band. On the economic front, exports marginally increased on a year-on-year basis in February.

In Malaysia, the equity market moved lower on plummeting commodity prices. Malaysian equities were the most affected in the region by the sharp drop in crude oil prices, as a net exporter, while the notable drop in commodity prices also was a key negative catalyst for equities. Amid slowing economic growth, the Malaysian central bank cut interest rates by 25 bps to 2.50%, and the Malaysian government announced Ringgit 250 billion in fiscal stimulus.

In the Philippines, equity markets were highly volatile due to the administrative lockdown and the temporary closing of the exchange. Amid a rising number of covid-19 cases, the Philippine government locked down the Manila area in mid-March, followed by most of the country. After the exchange reopened, it plunged by double digits before moderately recovering. Amid an economic slowdown, the country's central bank cut the policy rate by 50 bps to 3.25%, but thus far, only a small fiscal stimulus has been passed to deal with economic challenges.

Thailand markets moved lower as covid-19 cases rose and the government implemented a mass lockdown. Thailand equities moved sharply lower as the number of covid-19 cases rose and the Thai baht, one of the strongest currencies of 2019, sharply weakened. As cases spiked, the prime minister announced a state of emergency at the end of the month that locked down most of the country. Thailand's central bank announced a surprise 25 bps cut in the benchmark rate to 0.75%, while the government announced a range of measures to lower the tax burden on individuals and companies.

Outlook

In South East Asia, the weakening of IDR and the spread of COVID-19 in the country are expected to derail growth in 2020. The government has acted swiftly to mitigate growth challenges by bringing forward corporate tax cuts, injecting liquidity into the system and made commitments to support the banking system in order to support businesses affected by the outbreak. Many companies appeared oversold and they are trading on cheap valuations. However, the investment case for Indonesia largely depends on how well the government is able to contain an outbreak in Indonesia.

Thailand's economic corporate earnings growth is 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 government has imposed "Movement Control Order" to contain further spread of COVID-19 in the country. This has been extended from two weeks to a month and it is very likely that we will see a further extension. The government has offered wage subsidies and loans to help small and medium enterprises to weather through this period of difficulty. However, a prolonged period of lockdown may add stress to businesses and the economy. On a positive note, businesses supplying essential goods and services are allowed to remain in operation and we believe this segment will do relatively better as they are still able to generate sales and cash flow during the period of lockdown.

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

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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