

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 51.29 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.221	Management Fee 2.25% per annum	Bloomberg Ticker MPUSAGF	
Investment Fund Manager (the "Manager") Manulife Investment Management (Hong Kong) Limited			

Performance Return (October 31, 2020)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	0.16%	-8.47%	-7.36%	0.49%	27.32%	22.10%
Annualized	n.a.	n.a.	-7.36%	0.16%	4.95%	2.55%

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 North Asia Commercial Trust	3.35
Com7 Public Company Limited NVDR	3.12
Sheng Siong Group Ltd.	3.09
Frasers Logistics & Commercial Trust	3.02
PT Aneka Tambang Tbk	3.00
Venture Corporation Limited	2.94
R&B Food Supply Public Company Ltd NVDR	2.93
SKP Resources Bhd.	2.85
PT Industri Jamu dan Farmasi Sido Muncul Tbk	2.76
Century Pacific Food Inc.	2.74

Sector Allocation[^]

	%
Real Estate	27.45
Consumer Staples	20.41
Consumer Discretionary	11.82
Healthcare	11.19
Information Technology	8.29
Industrials	7.08
Financials	4.31
Materials	3.00
Energy	1.41
Communication Services	1.07
Cash & Cash Equivalents	3.96

Geographical Allocation[^]

	%
Singapore	36.30
Malaysia	18.31
Thailand	17.48
Indonesia	15.32
Vietnam	4.55
Philippines	4.08
Cash & Cash Equivalents	3.96

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

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Market Review

ASEAN markets were mixed for the month as Indonesia and the Philippines broke through the recent underperformance of ASEAN equity markets, as they continued to reopen their economies.

The Indonesian equity market was the top-performer in Asia-Pacific for October. Equity markets moved higher as the government announced the easing of lockdown measures in Jakarta for two weeks and parliament passed the Omnibus law in early October. The law, which is a cornerstone of President Widodo's reform efforts, aims to simplify the nation's labor laws, streamline business licensing and application processes, and attract greater capital inflows into the country.

In the Philippines, equity markets moved significantly higher. Equity markets moved steadily higher as the country loosened COVID-19 related curbs in the capital city. The optimism of reopening also catalyzed the return of foreign investors, as they became net buyers of local stocks in late October after nearly a month of consecutive daily net selling.

In Malaysia, markets declined primarily due to continued political instability. Political instability continued as the King of Malaysia rejected the claims of opposition leader Anwar Ibrahim that he had enough support in parliament to become the country's prime minister. The King of Malaysia later also rejected the prime minister's request to invoke a state of emergency due to rising COVID-19 cases, instead urging the parliament to pass the country's budget.

Thailand equity's market moved higher for the month. Political instability roiled the nation's capital and equity markets, as protestors demanded that the current prime minister resign, changes to the post-2014 constitution and greater transparency for the country's monarchy. Thailand's new Finance Minister announced his priorities would be to provide additional liquidity and increase spending to help boost economic growth amid the dual challenges of protests and the COVID-19 pandemic.

Singapore's equity market ended lower as the economy contracted by 7.0% (year-on-year) in the third quarter, although it expanded on a sequential (quarterly basis). On the policy front, the government announced that it would use the 2021 budget to add roughly US \$74 billion in fiscal stimulus.

Outlook

The US Presidential election ended with Joe Biden elected as the next President of the United States of America. The result led to a strong rally in markets across the region as the Biden administration is expected to pass a stimulus package to resuscitate growth in the US economy. We expect the newly elected US government to focus on solving domestic issues such as controlling the spread of COVID-19 and mending the economy and expect less high-pitch geopolitical frictions between the US and China in the near term. Uncertainty is expected rise as the leadership transition takes place in the next few months.

Growth stocks have performed well throughout 2020. However, valuations of some of these growth names are beginning to look frothy and have priced in a lot of optimism years ahead into the future. We would be harvesting the profits from COVID-19 winners in 2020 and rotate into companies whose earnings are expected to recover in 2021 as the threat of COVID-19 subsidies and the impact of economic stimulus starts to kick-in. Many companies in this universe are still trading on reasonable valuations.

Indonesia made further progress in the passing of the Omnibus Law. This marks the fulfilment of Indonesia's key reform agendas – layout of key infrastructure and reform of labour law. This paves the way for sustainable investment growth in the future. In the near term, Indonesian equities are trading on undemanding valuations relative to peers in Malaysia and Thailand. Corporate earnings are showing signs of recovery and begin to beat consensus estimates in the most recent quarterly reporting season. Similarly, earnings of companies in the Philippines are beginning to exceed consensus estimates as business activities resume in a gradual manner and companies adjust to new ways of doing business.

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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