

# 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 64.73 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 1.276	<b>Management Fee</b> 2.25% per annum	<b>Bloomberg Ticker</b> MPUSAGF	
<b>Investment Fund Manager (the "Manager")</b> Manulife Asset Management (Hong Kong) Limited			

## Performance Return (May 31, 2019)

ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-3.63%	9.53%	0.87%	24.98%	13.02%	27.60%
Annualized	n.a.	n.a.	0.87%	7.71%	2.48%	3.82%

## 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	4.11
Ascott Residence Trust	4.05
IGB Real Estate Investment Trust	3.88
Mapletree North Asia Commercial Trust	3.64
TISCO Financial Group Public Co. Ltd. NVDR	3.62
Parkway Life Real Estate Investment Trust	3.58
Mapletree Commercial Trust	3.26
TTW Public Company Limited	3.10
Bangkok Chain Hospital Public Co. Ltd. NVDR	3.09
GFPT Public Co. Ltd.	3.01

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

	%
Real Estate	39.61
Consumer Staples	12.92
Financials	10.74
Consumer Discretionary	9.17
Healthcare	5.39
Industrials	4.69
Utilities	4.29
Information Technology	3.92
Materials	2.67
Energy	1.23
Cash	5.36

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

	%
Singapore	30.39
Indonesia	19.19
Thailand	17.73
Malaysia	16.14
Philippines	5.79
Vietnam	5.39
Cash	5.36

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

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## Market Review

The MSCI ASEAN Small Cap Index was lower for the month of May due to an escalation in global trade tensions and concerns over global growth.

In Singapore, the equity market was lower on the back of negative global macro news. Amidst negative global macro news, economic data further dampened investor sentiment: first-quarter GDP came in below market expectations and exports posted a double-digit year-on-year contraction in April for the second straight month.

Negative market sentiment outweighed positive news flow to send Indonesian equities marginally lower for the month. Equities began May sharply lower for the first half of the month, but staged a second-half rally to cut severe losses. With poor market performance, Bank Indonesia continued to inject liquidity in the banking system via open market operations. Macro news was a positive: Equities received a fillip as Standard and Poor's upgraded the country's credit sovereign rating to 'BBB' on the last day of the month.

In Malaysia, equity markets were lower for the month. On the economic front, the Malaysian central bank cut interest rates to improve liquidity in the economy. Data releases were positive, as first-quarter GDP growth surprised to the upside and manufacturing PMI noticeably improved in April.

Although there was positive domestic macro news, the Philippines equity market was lower. The Philippines central bank (BSP) announced a 25 basis point rate (bps) cut and a 200 bps staggered bank reserve requirement cut that bolstered investor sentiment for equities. Mid-term elections also sent positive signals, as candidates backed by President Rodrigo Duterte secured nine out of 12 senatorial seats, consolidating support for his policy agenda in congress.

Thailand's equity markets ended the month lower. Market participants rotated out of equities with global exposure to more resilient domestic names due to concerns around increased trade tensions. Economic data showed weakness: first-quarter GDP grew at its slowest pace in four years on a year-on-year basis.

## Outlook

A near term pause in the Fed taper bodes for South East Asia markets. In Indonesia, a newly elected government is expected to be formed in 3Q19. There are signs of a pick-up in consumer confidence. In this market, we believe the earnings growth and valuations of smaller and mid-sized companies are more attractive relative to their larger cap peers. We believe that infrastructure, real estate and domestic consumption are the three key areas that will benefit from Indonesia's structural reform and growth agenda. That said, the current account deficit will continue to be the soft spot of Indonesia in the near term and the Fed's decision to give interest rate hike a pause provided a much needed relief to the pressure on liquidity flows in the system.

The Malaysian government also made several constructive decisions that could ease pressure on the country's economic growth. The revival of key development projects, the East Coast Rail Link and Bandar Malaysia, should reignite economic activities in the country. Further, the recovery of funds from 1MDB should also help offset some of the government's fiscal burden. While it will take a little longer for the economy to be back on the right track, recent development bodes well for future economic growth. More importantly, value is emerging in the market and we see Malaysia as a fertile ground for stock ideas.

Thailand also completed its election peacefully. However, the formation of a coalition government added little to investor confidence as the stability of the government remains in question. The implementation of National Strategic projects, in particular the Eastern Economic Corridor (EEC) Development Plan, is crucial to help the country break out of the current growth trap.

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### Disclaimer

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Manulife Asset Management™ is the institutional asset management arm of Manulife Financial. Manulife Asset Management™ and its affiliates provide comprehensive asset management solutions for institutional investors and investment funds in key markets around the world. This investment expertise extends across a full range of asset classes including equity, fixed income and alternative investments such as real estate, timber, farmland, as well as asset allocation strategies.

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