

USD ASEAN Growth Fund

An investment fund option for variable life insurance products of **The Manufacturers Life Insurance Co., (Phils), Inc.**

Investment Objective

The Fund aims to generate long-term capital growth by investing substantially all of its assets in a collective investment scheme that invests primarily in equity and equity-related securities of companies listed or 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 also hold cash and fixed income instruments for liquidity management purposes.

Fund Information

Inception Date November 2012	Fund Size USD 43.11 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.557	Management Fee 2.25% per annum	Bloomberg Ticker MPUSAGF	

Performance Return (August 31, 2024)

USD ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	5.20%	-0.13%	-1.02%	-3.47%	18.58%	55.70%
Annualized	n.a.	n.a.	-1.02%	-1.17%	3.47%	3.84%

Past performance is not an indication of future results. Information about the portfolio's holdings, asset allocation, or country diversification is historical and is not an indication of future portfolio composition, which will vary.

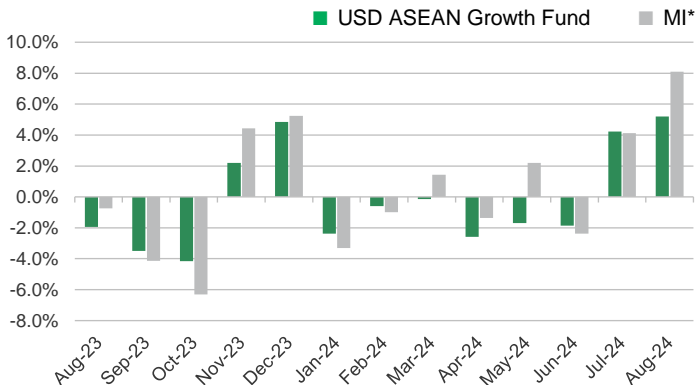
Monthly Net Asset Value per Unit



Top Five Holdings

DBS Group Holdings Ltd	6.55%
United Overseas Bank Limited	5.94%
PT Bank Central Asia Tbk	5.85%
Public Bank Bhd	5.11%
Oversea-Chinese Banking Corporation Limited	4.78%

Monthly Performance



*Market Indicator = MSCI AC ASEAN NR USD Index

This is not a deposit product. Earnings are not assured and principal amount invested is exposed to risk of loss. This product cannot be sold to you unless its benefits and risks have been thoroughly explained. If you do not fully understand this product, do not purchase or invest in it.

Portfolio Breakdown

Asset Allocation (at Market Value)



Manulife Global Fund - ASEAN Equity Fund 100.00%

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Market Review

ASEAN equities moved higher for the month. Global equities broadly gained amid a long-awaited dovish pivot by central banks in monetary policy, despite amplified volatility in early August over US growth concerns. The US Federal Reserve Board (Fed) suggested that a rate cut in September was on the table, while Chairman Powell announced that the time for a policy shift had arrived. It sent the US treasury yields lower and significantly weakened the US dollar, bolstering emerging markets. All ASEAN markets moved higher for the month supported by domestic currency appreciation, with the Philippines, as a notably performing market, while Singapore lagged.

Indonesian equities posted gains amid strong foreign capital inflows (USD1.85 billion). Bank Indonesia held policy rates steady and commented that there should be room for a rate cut in Q4 2024 as domestic currency further stabilizes. On the economic front, Q2 2024 GDP (gross domestic growth) grew by 5.05% year-on-year (yoy), in line with market expectations.

Malaysian equities moved higher. Foreign net inflows for August reached USD574 million, which marked the highest level since March 2022. Market sentiment remained buoyant and was reflected, given that one of the nation's largest mini-mart operators filed for an initial public offering (IPO) that was more than three times oversubscribed, which was estimated to be nation's largest IPO in seven years. On the policy front, the cabinet announced it is considering the reimposition of a good and service tax to replace the current sales and services tax after the former was abolished in 2018. On the economic front, Q2 2024 GDP growth came in stronger than estimated at 5.9% yoy.

Philippine equities surged and performed notably in August. The central bank cut policy rate by 25 bps to 6.25%, which marked one of the first central banks in ASEAN to begin a rate cut cycle. On the economic front, Q2 2024 GDP grew by 6.2% yoy, beating market expectations.

Singapore equities gained for the month. Communication services and utilities drove the market higher on optimistic market sentiment for a more dovish rate outlook. On the economic front, Q2 2024 GDP growth (2.9% yoy) and non-oil domestic exports in July were stronger than market consensus.

Thai equities moved higher. The Supreme Court removed the presiding prime minister from office for gross ethical misconduct, and the ruling coalition government named Paetongtarn Shinawatra as its new leader. On the policy front, the state investment fund plans to raise up to USD4.3 billion to support the nation's stock market. On the economic front, Q2 2024 GDP grew by 2.3% yoy, above market expectations.

Outlook

Optimism that began with positive news on US inflation and growth delivered a very powerful rally in risk assets in 1H 2024. The optimism around a soft landing of the US economy and expectations of rate cuts promoted a sharp recovery in equity prices. While the multiple US rate cuts that were priced in at the start of this year have since faded, equities have been buoyed by a string of positive macro surprises and optimism around artificial intelligence (AI).

As we enter into 2H 2024, we would tread equity markets cautiously, taking the following factors into consideration:

- Consumption and investments are expected to slow as the full impact of past monetary policy tightening continues to flow through the system;
- Election concerns in the US and Europe may also hit consumer and business confidence in the coming months;
- Elevated valuations also leave equities more vulnerable to disappointments, particularly in the AI-tech related supply chain; and
- While the market priced in rate cuts before the Fed has actually acted, we believe the impact of higher interest rates on earnings has yet to be discounted and this could spring negative earnings surprises in the upcoming earnings reporting season.

Interest rates staying high for longer in the US limits space for policy easing in most geographic locations in ASEAN as central banks give priority to maintaining the stability of local currencies. Surging yield of risk-free assets class in USD and depreciation of local currencies have led to portfolio outflows from ASEAN.

Further, higher interest rates are now weighing on both consumers and corporates in ASEAN, which we expect to remain as a key challenge going into 2H 2024. The common driver among ASEAN geographic locations for weak consumption was high interest rate and sticky inflation, which has weighed on big ticket categories like auto sales. On the corporate front, average interest cost of ASEAN companies has moved up by more than 100 bps in 2023 to arrive at c5.7%, the highest since 2008. This pressure would likely remain as a sizeable amount of loans matures and needs refinancing in 2024.

Against such backdrop, we remain vigilant in our stock selection. Despite higher interest rates and inflation hitting consumption in the near term, we remain sanguine on the longer-term outlook of domestic consumption in the region. This is supported by continuous growth in income, as measured by nominal GDP per capita in the region, which has hit the sweet spot of middle income levels. We would thus select companies with brand premium, strong pricing power and growing market share domestically and internationally. Most of the companies we invested in are also expected to enjoy the tailwind of improving profit margins, thanks to lower raw material costs and improvement in operational efficiencies. The normalization of inventories at the distribution and customer ends should also contribute to volume growth going forward. In addition, we prefer companies that generate healthy cash flows and have lowly geared balance sheets, as they can continue to expand and grow profits without the burden of higher cost of funds and cost of capital.

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Despite the completion of elections in Thailand and Indonesia, both markets are clouded by political uncertainties. In Thailand, political uncertainties have created negative impacts on the Thai economy (slowed fiscal disbursement) and investor sentiment. However, things are beginning to improve as we expect fiscal disbursement to commence in 2H 2024. Measures have also been taken to stabilize and restore confidence in the stock market. The Thai Finance Ministry plans to introduce a new Vayupak Fund worth THB150 billion, and revise investment conditions for Thai ESG (environmental, social and governance) funds to help boost turnover in 2H 2024. Thailand's Stock Exchange has also announced additional regulatory amendments on short selling and program trading aimed at strengthening market supervision and enhancing investor confidence.

In Indonesia, the new government's slow transition has led to a wait-and-see attitude among corporates, stifling the propensity to spend and invest. Newly elected President Prabowo Subianto will be sworn in as the next Indonesian president on October 20, 2024 and the announcement of new cabinet and policy agenda should help clear uncertainties in the market. We expect the new government to maintain its fiscal prudence and maintain budget deficit limits at 3%. We also expect fiscal disbursement in 2H 2024 to revive domestic consumption. We expect the new government to remain supportive of economic and infrastructure development and attracting foreign investment flows.

Malaysian equities performed well in 1H 2024 as policy reforms, e.g. reallocation of subsidies, began to take shape. More importantly, data center investment and infrastructure build-out have progressed at a much stronger-than-anticipated pace. The government has also laid out its plans to develop the Malaysia National Semiconductor Strategy and attract MYR500 billion of investments, focusing on integrated circuit (IC) design, advanced packaging, and wafer fabrication. Such developments bode well for the economy. However, we noticed that stock prices of many companies have run ahead of their ability to deliver realistic growth targets amid the AI and data center buildout frenzies. We would rather participate in the growth trend through companies with realistic and sustainable growth profile.

Banks in Singapore and the Philippines are expected to demonstrate earnings resilience through 2024. Net interest margins of banks are expected to expand further on the back of the repricing of loans to higher rates and the easing of cost of attracting deposits. The credit quality environment remains benign. As a result, the accumulation of capital has enabled banks in both geographic locations to maintain a decent dividend payout to shareholders.

Overall, we believe the current global economic and geopolitical environment warrants caution. The impact of restrictive monetary policy tightening has not been fully felt yet. While risk appetite of investors rose in 1H 2024 in anticipation of multiple rate cuts, it becomes clear that interest rate will remain high for the rest of the year. We would thus be mindful of the price we pay for growth and will stick with companies with good management and the ability to navigate through a challenging business environment. Most importantly, companies with healthy cash flows and balance sheets are in a better position to withstand any shocks arising from the higher cost of funds and cost of capital.

The investment fund option for The Manufacturers Life Insurance Company's variable life insurance product is managed by Manulife Investment Management and Trust Corporation.

The Fund mentioned in this document is specific to variable life insurance contracts and is not considered a mutual fund. Yields depend on interest and foreign exchange rate levels, both of which may fluctuate. Other factors that affect yield include changes in the credit standing of the issuers and changes in the value of the stocks and dividends received. Further, investments of the Fund may provide that their values be determined based on prices or yields of other securities, instruments or foreign currencies, and such provisions may result in negative fluctuations in the value of these investments and, in turn, the Fund's yields. Thus, the performance of the separate account(s) is not guaranteed and the value of the policy could be less than the capital invested. THE VARIABLE LIFE POLICYHOLDER SHALL BEAR ALL INVESTMENT RISKS. Past performance of the Fund is not necessarily indicative of future performance. Yields are not guaranteed.

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