

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 41.57 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.480	Management Fee 2.25% per annum	Bloomberg Ticker MPUSAGF	

Performance Return (July 31, 2024)

USD ASEAN Growth Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	4.23%	-5.07%	-7.73%	-6.62%	10.28%	48.00%
Annualized	n.a.	n.a.	-7.73%	-2.26%	1.98%	3.41%

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.

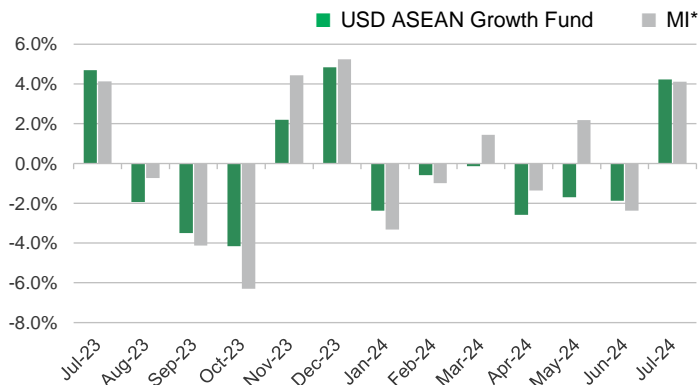
Monthly Net Asset Value per Unit



Top Five Holdings

DBS Group Holdings Ltd	6.75%
United Overseas Bank Limited	6.27%
PT Bank Central Asia Tbk	5.93%
Oversea-Chinese Banking Corporation Limited	4.99%
Public Bank Bhd	4.14%

Monthly Performance

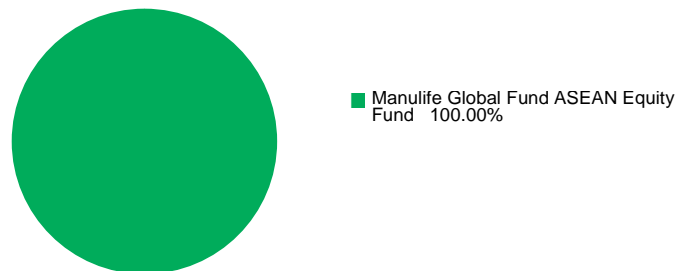


*Market Indicator = MSCI AC ASEAN NR USD Index

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 in July. Global equity markets experienced a series of rotations due to weaker US economic data and earnings, as well as shifting global central bank monetary policies. In the US, investors rotated from large-cap tech shares towards the value sector and small caps, due to earnings misses and elevated valuations. In late July, the US Fed struck a dovish tone, opening the possibility for a rate cut as early as September. These transitions also impacted Asia, where the rapid appreciation of the Japanese yen due to the Bank of Japan's decision to hike rates for the first time in 17 years catalyzed market repositioning. As a result, downtrodden ASEAN markets notably performed.

Indonesian equities moved higher. The central bank held its policy rate steady, while it stated that strengthening the currency and attracting inflows were the priority over potential rate cuts. Additionally, Standard and Poor's (S&P) reaffirmed the geographic location's credit rating, but similar to other rating agencies, pointed out potential risks relating to President-elect Prabowo's proposed expansive fiscal policies.

Malaysian equities rose amid better-than-expected GDP (gross domestic product) growth. The IPO of a leading plantation company garnered the highest proceeds since 2022, adding to buoyant market sentiment.

Philippine equities moved higher on optimism over an easing in monetary policy. The central bank stated that a potential rate cut was still on the table in August depending on the trajectory of inflation.

Singaporean equities posted gains. The Monetary Authority of Singapore released a new consultation paper that proposed subjecting all real estate investment trusts (REITs) to a minimum interest coverage ratio (ICR) threshold of 1.5 times and an aggregate leverage limit of 50% to simplify requirements that now vary across the asset class.

Thai equities recorded positive performance. The lawmakers passed a supplementary budget of USD3.4 billion to facilitate the distribution of the long-awaited fiscal (digital) stimulus.

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 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 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 US 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 the 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 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 mature loans and needs refinancing in 2024.

Against such backdrop, we remain vigilant in our stock selection. Despite higher interest rate 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 with 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.

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 (sluggish fiscal disbursement) and investor sentiment. However, things are beginning to improve as we expect fiscal disbursement will 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 environmental, social and governance (ESG) 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.

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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 a 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 worth 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 repricing of loans to higher rates and the easing of cost of attracting deposits. 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 current global economic and geopolitical environment warrant 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 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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