

# USD Bond Fund

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

## Investment Objective

The Fund seeks to achieve long-term capital appreciation by investing in USD denominated sovereign and corporate debt securities and/or pooled fund/s that invest in these securities and other liquid instruments.

## Fund Information

<b>Inception Date</b> November 2004	<b>Fund Size</b> USD 8.96 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 2.453	<b>Management Fee</b> 1.75% per annum	<b>Bloomberg Ticker</b> MPUSBND	

## Performance Return (September 30, 2021)

USD Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-1.92%	-3.88%	-2.35%	16.09%	7.49%	145.30%
Annualized	n.a.	n.a.	-2.35%	5.10%	1.46%	5.46%

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

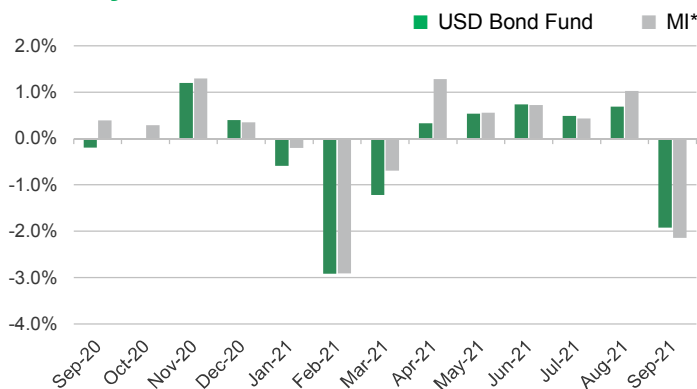


## Top Five Holdings

ROP 06/10/31	10.11%
ROP 02/02/30	6.96%
ROP 01/14/31	6.57%
ROP 09/25/24	6.02%
ROP 10/23/34	5.89%

Notes:  
ROP - Republic of the Philippines dollar-denominated bonds

## Monthly Performance



\*Market Indicator = 100% Markit iBoxx ADBI Philippines Index

## Portfolio Breakdown

### Asset Allocation (at Market Value)



As per the fund's Investment Policy Statement, initial subscriptions are invested in fixed 100% USD Bond Pool. The investments of the USD Bond Pool consist of US\$ denominated bonds of the Republic of the Philippines, corporates and term deposits.

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## Market Review

In the United States, Treasury yields continued to climb over the month amid economic data and hawkish Federal Reserve (Fed). The first half of the month saw US Treasury yields traded sideways as market awaited FOMC meeting, debt ceiling discussion and disappointing nonfarm payrolls, which rose 235k, well below market expectations of 720k. Yields notably spiked after the FOMC meeting as the Fed signalled taper could begin soon while interest rate hike could come as early as 2022. Over the period, the 10-year Treasury yield moved higher to 1.49% from 1.31%, whilst Philippine dollar-denominated (ROP) bond yields also rose tracking the US Treasury yield movement.

Asian investment grade credit markets posted negative returns over the month owing to higher US Treasury yields, but partially offset by tighter credit spreads and positive carry. Credit spreads on the JP Morgan Asian Investment Grade Corporate Bond Index tightened by 5bps on average; the JP Morgan Asian Investment Grade Corporate Bond Index decreased by -0.79% in US dollar terms. Investors' sentiment towards the Chinese property sector remained weak as developments of Evergrande continued to dominate news headlines; it was reported a private settlement with onshore bondholder for the CNY interest payment was arranged, but the company missed coupons on its USD-denominated bonds. Macau gaming issuers underperformed, on the announcement of possible reforms to the Macau gaming sector that could impact operating licenses. Over the month, primary market activity was relatively quiet with mixed performance amid weak market sentiment and upcoming China Golden Week holiday.

## Outlook

US economic recovery trajectory is expected to extend amid steady vaccine rollout, despite higher number of COVID-19 cases due to new variants. With hospitalization and fatality rates under control, investors are turning their focus to economic recovery and strong corporate earnings. The Fed may be building the foundation for tapering to manage market expectations, at the same time likely to maintain a relatively accommodative monetary policy amid slack in US labour market and commitment to its average inflation targeting policy framework. Furthermore, the Fed and other central banks are more inclined to keep interest rate volatility low and for financial conditions to remain stable to promote economic recovery. North Asian economies generally fared better in terms of economic recovery compared to South Asian counterparts, whilst we are not overly concerned over the new COVID-19 variants on Asian bond markets. On the other hand, the potential restructuring of Evergrande is likely to remain an overhang on the property sector, but with limited impact on IG property developers. Whilst the recent regulatory intervention in China have exceeded market expectations and triggered weakened sentiment towards Chinese assets, we believe the impact is more contained for China credit as most issuers have a robust financial profile. Overall, we remain cognizant of both systemic and idiosyncratic risks while seeking out attractive opportunities and believe that bottom-up credit selection will be key in generating further returns going forward.

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The investment fund option for The Manufacturers Life Insurance Company's variable life insurance product is managed by Manulife Asset 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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