

# 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><br>November 2004 | <b>Fund Size</b><br>USD 7.75 million     | <b>Fund Currency</b><br>US dollar  | <b>Dealing/Valuation</b><br>Daily |
| <b>Price (NAV/unit)</b><br>USD 2.184   | <b>Management Fee</b><br>1.75% per annum | <b>Bloomberg Ticker</b><br>MPUSBND |                                   |

## Performance Return (April 30, 2022)

| USD Bond Fund<br>(net of management fee) | 1 Month | YTD     | 1 Year  | 3 Years | 5 Years | Since Inception |
|--|---------|---------|---------|---------|---------|-----------------|
| Absolute                                 | -5.13%  | -11.65% | -10.53% | -2.50%  | 0.83%   | 118.40%         |
| Annualized                               | n.a.    | n.a.    | -10.53% | -0.84%  | 0.17%   | 4.58%           |

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

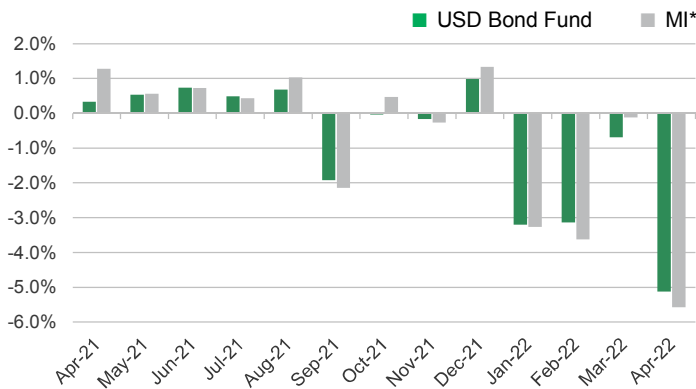


## Top Five Holdings

|              |        |
|--------------|--------|
| ROP 06/10/31 | 10.61% |
| ROP 01/20/40 | 9.97%  |
| ROP 02/02/30 | 7.33%  |
| ROP 01/14/31 | 6.91%  |
| ROP 10/23/34 | 6.02%  |

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

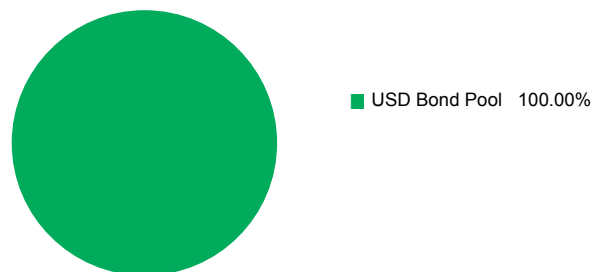
## Monthly Performance



\*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, US Treasury yields jumped over the month, hitting 3-year high on the back of the Federal Reserve (Fed)'s hawkish tone. US inflation accelerated to 8.5% year-on-year in March, driven by higher energy and food prices while the unemployment rate dropped to 3.6% in March, the lowest since February 2020. On the other hand, first quarter GDP fell 1.4% (annualised, quarter-on-quarter), weaker than market expectation of 1% growth. From the Fed's March policy meeting minutes and Powell's comments, most Fed officials agreed to shrink balance sheet by US\$95bn a month and hike interest rate by 50bps at times to tame inflation. Over the month, the 10-year Treasury yield trended higher from 2.34% to 2.93%, and Philippine dollar-denominated (ROP) bond yields also followed US Treasury yield higher.

Asian investment grade (IG) credit markets posted negative returns in April mainly driven by higher US Treasury yields which was slightly offset by positive carry and tighter credit spread. Credit spreads on the JP Morgan Asian Investment Grade Corporate Bond Index tightened by 3bps; the J.P. Morgan Asian Investment Grade Corporate Bond Index decreased by 1.77% in US dollar terms. Asian credits saw weakness due to China's COVID-19 resurgence and global rates volatility. Market sentiment recovered towards the end of the month following China's Politburo pledges. During the month, we saw investment grade supply from a South Korea quasi-sovereign with strong new issue performance, while the rest of new issue performance was mixed.

## Outlook

The Russia-Ukraine situation remains fluid, but we expect to see mostly indirect impact on Asia fixed income. We believe Asia's credit fundamentals remain largely intact and supported by strengthened local and international investor base. Having said that, in the near term, investment sentiment should remain driven by global risk appetite and further geopolitical developments. North Asian economies have generally fared better in terms of economic recovery compared to South Asian counterparts last year. Increasingly more South Asian economies are adopting a coexisting approach with COVID-19, reopening borders with higher vaccination rates and could be positive for their growth trajectories. However, the widespread of Omicron variant remains an uncertainty. In China, the property sector was heavily sold off due to negative news flow and concerns about rising defaults. China's Politburo pledges to step up policy support and more cities announced property policy relaxation are positive developments for the slowing economy, though we would monitor for more concentrate measures from the central government. Overall, we expect to see greater consolidation in the sector and believe the market has priced in excessive default risks. Many quality companies are now being offered at compelling valuations; we see it an opportune time and environment for active investors to navigate the cycle, as market weakness is likely to bring out value opportunities in fundamentally strong issuers. 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 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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