

# 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 6.51 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 2.177	<b>Management Fee</b> 1.75% per annum	<b>Bloomberg Ticker</b> MPUSBND	

## Performance Return (December 31, 2024)

USD Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-2.29%	-1.18%	-1.18%	-11.93%	-8.14%	117.70%
Annualized	n.a.	n.a.	-1.18%	-4.15%	-1.68%	3.94%

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

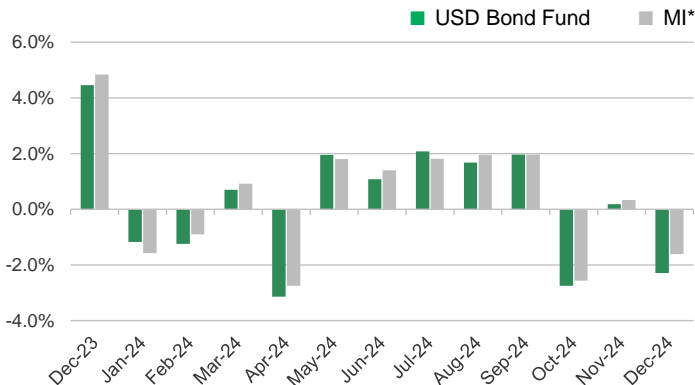


## Top Five Holdings

ROP 06/10/31	14.31%
ROP 01/20/40	12.54%
ROP 02/02/30	9.01%
ROP 01/14/31	8.61%
ROP 10/23/34	7.19%

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

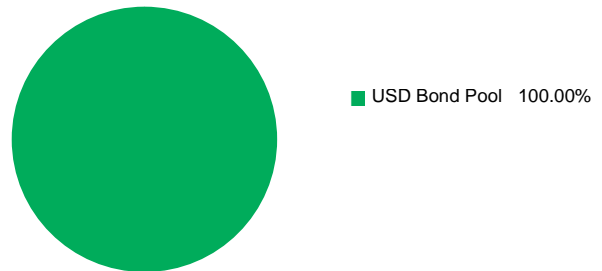
## Monthly Performance



\*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, the US Treasury yield curve normalized and returned to an upward-sloping shape following the US Federal Reserve's (Fed) third interest rate cut of the year. The December Federal Open Market Committee (FOMC) meeting was generally considered hawkish, as the dot plot reflected a median projection of only two 25 bps rate cuts for 2025 (compared to the three expected by consensus) and the Fed sent a clear message that it intended to slow the pace of rate cuts next year, although the magnitude of the December rate cut – 25 bps – was in-line with market expectations. As a result, the US Treasury yield curve steepened, with the 2-year/10-year spread, a proxy for the slope of the curve, widened to its widest levels since May 2022. On the fiscal side, the government averted a shutdown ahead of the holidays as Congress passed a spending extension until March 2025, with Republican leaders looking to raise the debt limit by USD 1.5 trillion and cut spending by USD 2.5 trillion over 10 years in a reconciliation bill next year. Economic data was generally mixed for the month of November, with non-farm payrolls increasing slightly more than expected by 227,000, while core personal consumption expenditure, personal income, and personal spending all coming in softer-than-expected. Over the period, the 10-year US Treasury yield rose from 4.17% to 4.57%, whilst the Philippine dollar-denominated (ROP) bond yield curve followed the US Treasury yields higher.

Asian investment grade (IG) credits posted negative performance for the month mainly driven by higher US Treasury yields, despite tighter credit spreads. Credit spreads on the J.P. Morgan Investment Grade Corporate Bond Index tightened by 3bps over the month; the J.P. Morgan Asian Investment Grade Corporate Bond Index decreased by 0.58%. Chinese credits, particularly in the quasi-sovereign and financial sectors, fared relatively better following the December Politburo and Central Economic Work Conference (CEWC) meetings, where policymakers strengthened their pro-growth stance, focusing more on domestic demand, and pledged to stabilize the property sector. On the other side, South Korea, especially the higher-beta names, underperformed on the back of political volatility; however, no material spillover to other parts of the market was seen. New issue activities were muted given the year-end seasonality, with some primary activities in Hong Kong, Australia, and South Korea.

## Outlook

A new phase of the monetary cycle has begun following the US Federal Reserve (Fed)'s long-awaited rate cut back in September 2024, and we believe Asian Fixed Income will play a greater role this year as it provides attractive carry and all-in yields as well as diversification benefits. Trump's second term in the office will likely trigger volatility from the uncertainty around his trade policy in the region. Thus, active management will be key in navigating this persistently uncertain market environment. In Asia ex-China region, we view Asian central banks, such as India, Indonesia, South Korea and Philippines, to have room to continue its rate cutting in 2025 amid benign inflationary environment. In China, the policymakers have proactively rolled out series of supportive measures since September, and further strengthened their pro-growth stance with pledges of further fiscal and monetary policies during the December meetings. The authorities are also expected to provide more indications on both economic growth target and fiscal budget forecast for 2025 during the March NPC meeting. We expect the government to step up stimulus measures in 2025 to stabilize the property market, address local government debt pressures and boost consumption, in response to sluggish economic data and volatility from the uncertainty around Trump's tariff plan.

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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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