

# 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 6.23 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 2.355	<b>Management Fee</b> 1.75% per annum	<b>Bloomberg Ticker</b> MPUSBND	

## Performance Return (December 31, 2025)

USD Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.38%	8.18%	8.18%	11.82%	-7.72%	135.50%
Annualized	n.a.	n.a.	8.18%	3.80%	-1.59%	4.14%

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

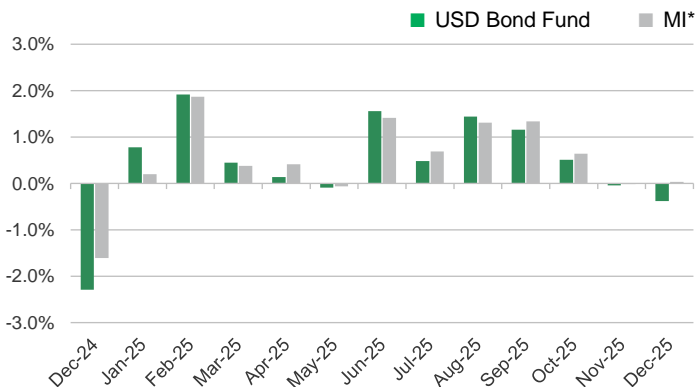


## Top Five Holdings

ROP 01/20/40	14.22%
ROP 06/10/31	13.55%
ROP 01/14/31	9.41%
ROP 02/02/30	6.11%
ROP 03/01/41	5.51%

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

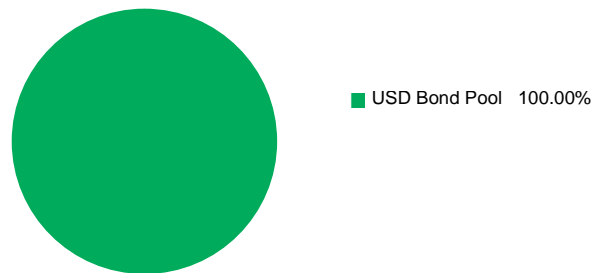
## Monthly Performance



\*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.

# USD Bond Fund

## Market Review

In the United States, the US Treasury yield curve steepened as the Federal Reserve (Fed) lowered the fed funds rate by 25bps to 3.50-3.75% but set the bar higher for further interest rate cuts, as suggested in the latest Federal Open Market Committee (FOMC) statement. Fed Chair Jerome Powell believed that the fed funds rate has approached the higher-end of the range of “neutral” interest rates, and at a place that should allow the labor market to stabilize. Chair Powell provided dovish comments on the labor market, believing that downside risks to employment remained significant and have risen in recent months; furthermore, he mentioned that the Fed estimated that payroll growth has been overstated by 60k jobs per month. Regarding the Fed’s dual mandate, November nonfarm payrolls recovered to 64k, following a much weaker-than-expected October print at -105k, while core inflation came in below expectations at 2.6% (vs. 3.0% estimates), supporting the Fed’s recent monetary decisions. On the trade front, the US and UK reached a deal where the US had agreed to grant a three-year, zero-tariff exemption on UK pharmaceuticals and medical technology imported into the US. The US has also signed a strategic partnership agreement with the Democratic Republic of the Congo (DRC) to promote US mining access and investment in the DRC. Over the month, the 10-year US Treasury yield rose from 4.01% to 4.17%, whilst the Philippine dollar-denominated (ROP) bond yield followed the US Treasury trending higher.

Asian credit markets posted positive returns for the month on the back of stable carry and aggregate credit spread tightening. The J.P. Morgan JACI Investment Grade Corporate Bond index rose by 25bps and aggregate Asian IG corporate credit spreads tightened by 13 bps. On the investment grade front, Chinese mainland credits outperformed as positive momentum continued following the trade agreement with the US in November. The Chinese government’s accommodative monetary and fiscal policy stances also provided a supportive backdrop for domestic consumption, investment, and longer-term growth. South Korean credits also outperformed, with December exports rising for a seventh consecutive month and closing at a record for 2025, surpassing USD 700 billion for the first time. This was driven mainly by the strong rebound in semiconductors, with a sharp rise in memory chip prices and sustained demand from artificial intelligence-related data centres. Besides semiconductors, automobile and shipbuilding sectors also contributed significantly to exports, with automobile exports rising to a record USD 72 billion, despite the drag from US tariffs. The primary market activity for Asian dollar bonds slowed towards year-end due to seasonality, with a few issuances from the Indonesian quasi-sovereign as well as the Japanese and Australian financial spaces.

## Outlook

Asia Fixed Income delivered strong returns in 2025 supported by solid economic fundamentals, attractive valuations and gains in Asian local markets and currencies; and we expect this positive momentum to continue in 2026. Asian credits continue to offer higher aggregate all-in yields compared to their US and European counterparts, whether investment grade or high yield, providing an additional buffer to protect investors from interest rate and spread volatility in the year ahead amid macroeconomic challenges including tariffs, geopolitical tensions, and global growth slowdown. While aggregate valuations and credit spreads have continued to tighten over the course of 2025, persisting macro headwinds and idiosyncratic headlines will continue to drive return dispersion within the asset class, giving investors the opportunity to generate alpha through careful and prudent security selection. Fundamentals are further supported by solid economic growth within the region and domestic policy support in selective markets, such as China and India, creating diversification opportunities for investors and helping to mitigate the impact from global headwinds on their portfolios.

With the market expecting the Fed to further cut interest rates in 2026 on the back of controlled inflation and weaker labor markets, Asian dollar credits are poised to continue benefiting from the supportive monetary backdrop. Lower US interest rates will likely reset the relative attractiveness of global USD fixed income asset classes and as yields normalize, investors will likely need to take on more risk – weather duration, credit, or currency – to achieve higher expected returns. A lower interest rate environment is also supportive of primary issuances in the Asian dollar space, which has been muted for a few years, with issuers potentially returning to the market to refinance at lower funding costs; this would be a positive catalyst for credit profiles and fundamentals and could also reignite growth in the Asian dollar bond space.

Moreover, we believe Asia local markets will continue to ride on the momentum of increased investor interest amid de-dollarization and USD volatility. Notably, India remains one of the region’s bright spots supported by robust economic growth, improved sovereign rating and supportive technicals. In China, we anticipate more targeted stimulus support, focused on areas such as boosting consumption, shifting to higher quality and sustainable growth, stabilizing the property sector and ending deflation. These measures are intended to support domestic growth in response to sluggish economic data.

# USD Bond Fund

---

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.

The information and/or analysis contained in this material have been compiled or arrived at from sources believed to be reliable but The Manufacturers Life Insurance Co. (Phils.), Inc. ("Manulife Philippines") does not make any representation as to their accuracy, correctness, usefulness or completeness and does not accept liability for any loss arising from the use hereof or the information and/or analysis contained herein. 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. Neither Manulife Philippines or its affiliates, nor any of their directors, officers or employees shall assume any liability or responsibility for any direct or indirect loss or damage or any other consequence of any person acting or not acting in reliance on the information contained herein.

The information in this material may contain projections or other forward-looking statements regarding future events, targets, management discipline or other expectations, and is only as current as of the date indicated. There is no assurance that such events will occur, and may be significantly different than that shown here. The information in this material including statements concerning financial market trends, are based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. This material was prepared solely for informational purposes and does not constitute a recommendation, professional advice, an offer, solicitation or an invitation by or on behalf of Manulife Philippines to any person to buy or sell any security. This material should not be viewed as a current or past recommendation or a solicitation of an offer to buy or sell any investment products or to adopt any investment strategy. Nothing in this material constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. Past performance is not an indication of future results.

Manulife and the block design are registered service marks and trademarks of The Manufacturers Life Insurance Company and used by it and its affiliates including Manulife Financial Corporation.