

# 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 5.86 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 2.309	<b>Management Fee</b> 1.75% per annum	<b>Bloomberg Ticker</b> MPUSBND	

## Performance Return (March 31, 2026)

USD Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-3.23%	-1.95%	2.80%	7.35%	-5.10%	130.90%
Annualized	n.a.	n.a.	2.80%	2.39%	-1.04%	3.99%

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

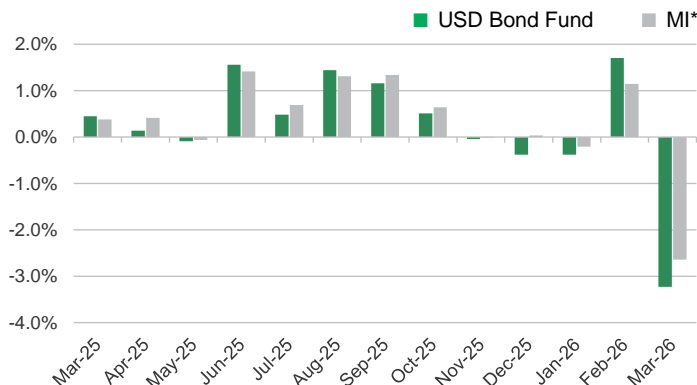


## Top Five Holdings

ROP 01/20/40	14.43%
ROP 06/10/31	14.22%
ROP 01/14/31	9.71%
ROP 02/02/30	6.36%
ROP 03/01/41	5.65%

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

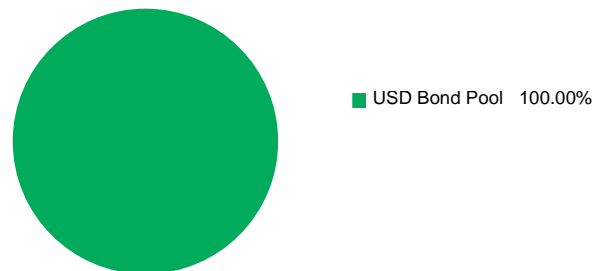
## Monthly Performance



\*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 rose across all tenors, with front-end yields anchored by expectations that the Federal Reserve (Fed) would hold policy rates steady in the near term, while longer-dated Treasury yields moved higher on the back of renewed inflation uncertainty amid energy price shocks from escalating geopolitical tensions in the Middle East. During the March Federal Open Market Committee (FOMC) meeting, the Committee acknowledged that the implications of developments in the Middle East for the U.S. economy were uncertain; Fed Chair Jerome Powell put the risks to employment and inflation on an equal footing and mentioned that a “moderately restrictive” policy stance was currently appropriate. Regarding the Fed’s dual mandate, February nonfarm payrolls surprised to the downside at -92k (vs. +55k estimates), while core personal consumption expenditures (PCE), the Fed’s preferred inflation metric, came in-line with estimates at +3.1% year-on-year. On the geopolitical front, rising tensions in the Middle East and the associated disruption risks to energy supply (around key shipping routes and production hubs) resulted in a sharp rise in oil prices, increasing volatility across risk assets while also weighing on sentiment more broadly through concerns around potentially tighter financial conditions, inflation resurgence, and slower global growth if elevated energy prices persisted. Over the month, the 10-year US Treasury yield rose from 3.93% to 4.32%, whilst the Philippine dollar-denominated (ROP) bond yield followed the US Treasury trending higher.

Asian credit markets delivered their first month of negative returns for the year due to higher U.S. Treasury yields amid escalating geopolitical tensions in the Middle East and the potential impact on inflation, although there was some offset from stable carry. The J.P. Morgan JACI Investment Grade (IG) Corporate Bond index declined by 125bps and aggregate Asian IG corporate credit spreads tightened by 3 bps. On the investment grade front, Chinese Mainland credits remained relatively resilient from a credit spread perspective, supported by domestic policy tailwinds which helped counteract the negative global risk-off impact induced by the Middle East geopolitical tensions. The March 2026 “Two Sessions” meeting reinforced policymakers’ supportive macro stance, given plans to issue 1.3 trillion yuan in ultra-long-term special treasury bonds in 2026 to support consumer goods trade-in program and capital replenishment at large state-owned commercial banks, as well as 4.4 trillion yuan of local government special-purpose bonds to fund major projects and alleviate local government debt stress. Furthermore, officials reiterated that monetary policy would remain “moderately loose,” with room to further cut the Reserve Requirements Ratio (RRR) and policy rates when appropriate. On the other hand, credits in markets with greater sensitivity to oil price shocks due to being net energy importers, such as India, Thailand, and the Philippines, have underperformed on the back of broader credit spread widening. The primary market for Asian dollar bonds slowed during the month, with selective issuances from the Australian transportation cohort, as well as issuances from the Australian, Japanese, and Chinese Mainland financials spaces.

## Outlook

Asian credits continue to offer higher aggregate all-in yields compared to their US and European counterparts, whether investment grade or high yield, and provide a valuable buffer for investors against market volatility, especially under the current environment characterized by multiple headwinds including geopolitical tensions, rising energy prices, and global growth slowdown. In particular, the relatively shorter duration and spread duration nature of Asian credits can potentially help investors reduce sensitivities to aggressive credit spread and treasury yield movements, lowering performance volatility. While aggregate credit spreads remain relatively tight from a historical perspective, recent market volatility has created further dispersion within the market due to the uneven impact on individual issuers, giving investors the opportunity to generate alpha through disciplined, bottom-up security selection. Furthermore, regional fundamentals remain supported by solid economic growth 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.

With lingering uncertainties in the Middle East and higher energy prices, recent market expectations have shifted significantly, with the Fed now expected to stay put for the rest of 2026, compared to the 2 to 3 interest rate cuts expected in the beginning of March 2026 -- this pause extends the window of opportunity for investors to lock-in the attractive yields offered by Asian dollar credits. Since the normalization of the US Treasury yield curve, investors had to take on more risk – whether duration, credit, or currency – to achieve higher expected returns on their investment portfolios. With persisting market headwinds, assets that offer the highest incremental return for each unit of incremental risk taken (i.e. highest risk-adjusted return) such as Asian credit, would be value-accretive to investors’ portfolios.

On the local side, despite near term volatility in Asia local market amid risk on sentiment and broad USD strength, we remain a constructive medium-term view on selective market. For instance, India remains one of the region’s bright spots supported by robust economic growth, improved sovereign rating and supportive technicals. Moreover, Malaysia is expected to be supported by its status as an oil and natural gas exporter, strong fundamentals and its key role in the AI supply chain in the Asia region.

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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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