

# USD Bond Fund

An investment fund option for **Affluence**, **Affluence Gold** and **Affluence Builder** 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 9.82 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 2.517	<b>Management Fee</b> 1.75% per annum	<b>Bloomberg Ticker</b> MPUSBND	

## Performance Return (August 31, 2020)

USD Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-1.56%	6.20%	4.48%	13.84%	18.78%	151.70%
Annualized	n.a.	n.a.	4.48%	4.42%	3.50%	6.02%

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

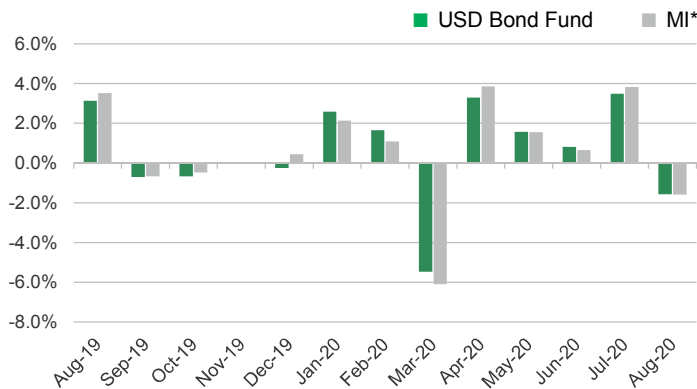


## Top Five Holdings

ROP 02/02/30	7.14%
ROP 01/14/31	6.40%
ROP 10/23/34	5.76%
BANK OF PHILIPPINE ISLAN SER EMTN (REG) (REG S) 4.25% 04SEP2023 09/04/23	5.75%
ROP 01/20/40	5.54%

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 moved higher in August amid record auctions of government bonds, strong economic data and COVID-19 vaccine hopes. During the start of the month, Treasury yields jumped following the Treasury's announcement to increase auction sizes for government bonds across the curve over August-October quarter. Economic data continued to point to recovery; US unemployment rate fell to 10.2% in July, a 0.9% drop from the previous month, while nonfarm payrolls increased by 1.8 million, higher than market expectation of 1.5 million. Furthermore, core CPI rose 0.6% month-on-month in July, marking the largest monthly rise since July 1991 and suggesting gradual economic recovery. Towards the end of the month, on the monetary policy front, Federal Reserve (Fed) Chair Powell announced a major policy shift to "average inflation targeting" at the annual Jackson Hole Economic Symposium, allowing the Fed to run inflation above its 2% target for a sustained period before hiking interest rates. The 10-year Treasury yield rose from 0.53% to 0.70% over the period. The Philippine dollar-denominated (ROP) bond yields also rose over the period.

Asian credit markets posted positive returns for the month primarily due to positive carry and tighter credit spreads. The Asian high yield corporate segment outperformed Asian investment grade credit over the period. The J.P. Morgan Asian Investment Grade Corporate Bond Index increased by 0.14%, while the J.P. Morgan Asian High Yield Corporate Bond Index increased by 1.76% in US dollar terms. The primary market in Asia remained active, with new issuance activity mainly led by financial and property issuers from China.

## Outlook

Global and notably North Asian economic activity has gradually picked up as COVID-19 infection rates have generally fallen and some countries have reopened their economies to varying degrees, though we are mindful of potential wave of infections in Autumn and Winter. The combination of a favourable global interest rate environment, programs from Federal Reserve and global central banks to stabilize financial markets is supportive for a range bound US Treasury yields. We expect global and Asian investment grade credit to remain supported, though the pace and magnitude for further credit spread compression could be circumscribed given the rally from March this year. Asian credit consists of state-owned-enterprises, which can benefit from potential government support and policies, and they typically have relatively lower fallen angel risks. Furthermore, Asian IG credit has relatively lower exposure to commodities sector compared to global credit, hence under less pressure as global economy slows down. Nevertheless, we continue to monitor the developments of US and China trade talks. Strategy-wise, we focus on credit selection, capturing dislocations and mitigating key risks in the portfolio. We expect primary market pipeline to continue to hold up predominately with Asian high grade issuers and may provide opportunities under the current credit market conditions. Overall, we believe current valuations of Asian high grade credit are attractive in the global context, considering Asia's more resilient underlying fundamentals and strong government sponsorship in the corporate sector.

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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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