

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

Inception Date November 2004	Fund Size USD 9.78 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 2.512	Management Fee 1.75% per annum	Bloomberg Ticker MPUSBND	

Performance Return (September 30, 2020)

USD Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.20%	5.99%	5.02%	13.87%	19.51%	151.20%
Annualized	n.a.	n.a.	5.02%	4.43%	3.63%	5.98%

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

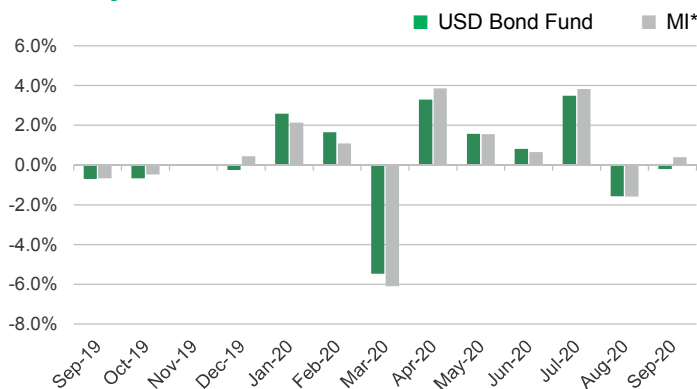


Top Five Holdings

ROP 02/02/30	7.12%
ROP 01/14/31	6.35%
BANK OF PHILIPPINE ISLAN SER EMTN (REG) (REG S) 4.25% 04SEP2023 09/04/23	5.75%
ROP 10/23/34	5.66%
ROP 01/20/40	5.48%

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, Treasury yields range traded over the period on the back of an accommodative Federal Reserve (Fed), presidential election uncertainties and vaccine optimism. On the monetary policy front, the Fed's dot plot and September statement signalled they would keep rates near zero through 2023 until the US economy has achieved maximum employment and inflation has risen to 2% for some time. Towards the end of the month, financial markets shifted focus to the first Presidential debate and uncertainties going into the US presidential election. The 10-year Treasury yield fell slightly from 0.70% to 0.68% over the period, whilst Philippine dollar-denominated (ROP) bond yields range traded over the period.

Asian credit markets posted negative returns for the month primarily amid widened credit spreads notably driven by negative headlines news in China's property sector. Towards the end of the period, investors' sentiment weakened on rumors of liquidity concerns of a high-yield Chinese property developer, along with S&P revising its outlook to negative. The Asian high yield corporate segment underperformed Asian investment grade credit over the period, The J.P. Morgan Asian Investment Grade Corporate Bond Index increased marginally by 0.01%, while the J.P. Morgan Asian High Yield Corporate Bond Index decreased by 1.35% in US dollar terms. Primary market activity was active despite the volatile market environment; new issuance was led by investment grade issuers and generally received strong interest.

Outlook

Global and notably North Asian economic activity has gradually picked up as COVID-19 infection rates have generally stabilized and some countries have reopened their economies to varying degrees, though we are mindful of potentially the next 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. 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 IG credit are attractive in the global context, considering Asia's more resilient underlying fundamentals and strong government sponsorship in the corporate sector.

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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