

# USD Secure Fund

An investment fund option for **Affluence Max, Affluence Max Gold, Affluence Builder Series, Horizons** and **FlexiSure** 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><br>April 2009  | <b>Fund Size</b><br>USD 31.31 million    | <b>Fund Currency</b><br>US dollar  | <b>Dealing/Valuation</b><br>Daily |
| <b>Price (NAV/unit)</b><br>USD 1.798 | <b>Management Fee</b><br>2.00% per annum | <b>Bloomberg Ticker</b><br>MPUSSEC |                                   |

## Performance Return (July 31, 2020)

| USD Secure Fund<br>(net of management fee) | 1 Month | YTD   | 1 Year | 3 Years | 5 Years | Since Inception |
|--|---------|-------|--------|---------|---------|-----------------|
| Absolute                                   | 3.45%   | 7.73% | 9.23%  | 15.63%  | 18.99%  | 79.80%          |
| Annualized                                 | n.a.    | n.a.  | 9.23%  | 4.96%   | 3.54%   | 5.33%           |

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

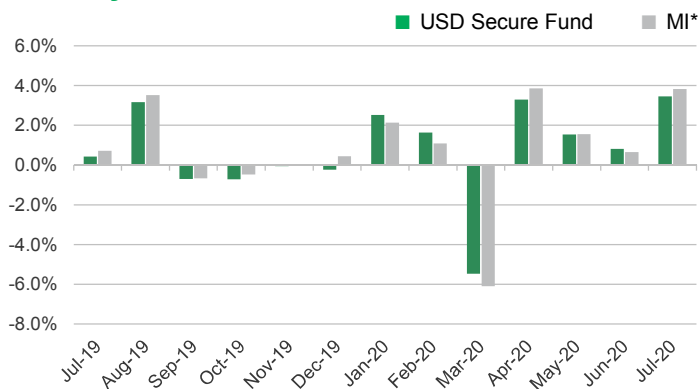


## Top Five Holdings

|  |       |
|--|-------|
| ROP 02/02/30   | 7.21% |
| ROP 01/14/31   | 6.48% |
| ROP 10/23/34   | 5.89% |
| ROP 01/20/40   | 5.74% |
| BANK OF PHILIPPINE ISLAN SER EMTN (REG) (REG S) 4.25% 04SEP2023 09/04/23 | 5.68% |

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 drifted lower in July as rising COVID-19 cases, escalating US-China geopolitical tensions and concerns over economic recovery in the US boosted demand for safe-haven assets. COVID-19 cases in the US continued to surge in July, hitting 4.5 million and affecting the reopening plans of many states. Furthermore, rising US-China tensions weighed on investor sentiment. China ordered the closure of US consulate in Chengdu as a tit-for-tat retaliation to the forced closure of the Chinese consulate in Houston, which was one of China's six diplomatic missions in the US. On 29 July, the Federal Reserve (Fed) left the Fed funds target rate unchanged at 0-0.25% as expected and kept the quantitative easing measures in place. Chair Powell reiterated that the central bank would do whatever they can and for "as long as it takes", maintaining the dovish stance. In addition, second-quarter GDP fell by 9.5% quarter-on-quarter (32.9% annualised), which was the worst quarterly contraction since the 1940s and further intensified concerns over economic slowdown. The 10-year Treasury yield fell from 0.66% to 0.53% over the period, benefitting from safe-haven flows. Whilst, the Philippine dollar-denominated (ROP) bond yields fell 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 1.70%, while the J.P. Morgan Asian High Yield Corporate Bond Index increased by 2.02% in US dollar terms. The primary market in Asia remained active, with issuers from China, Korea and Philippines tapping the market.

## Outlook

Global economic activity has gradually picked up as COVID-19 infection rates have generally fallen and some countries have begun to reopen their economies to varying degrees, though we are mindful of a potential second wave of infections. From the combination of a favourable global interest rate environment, programs from Federal Reserve and global central banks to stabilize financial markets and expansionary fiscal policies, we expect global and Asian investment grade credit to continue to slowly recovery in the following months. 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 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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