Asia Pacific 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 maximize returns from a combination of capital appreciation and income generation. The Fund primarily invests in a diversified portfolio of fixed income securities, issued by governments, agencies, supra-nationals and corporate issuers in the Asia Pacific region.

Fund Information

Inception Date October 2011	**Fund Size** USD 14.81 million	**Fund Currency** US dollar	**Dealing/Valuation** Daily
Price (NAV/unit) USD 1.157	**Management Fee** 2.00% per annum	**Bloomberg Ticker** MPUSAPB	**Average Credit Rating** A-

Investment Fund Manager (the "Manager")
Manulife Investment Management (Hong Kong) Limited

Performance Return (April 30, 2021)

Asia Pacific Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.52%	-2.94%	6.34%	10.30%	10.61%	15.70%
Annualized	n.a.	n.a.	6.34%	3.32%	2.04%	1.54%

Asian Countries

- show robust fiscal conditions
- offer higher growth prospects than developed markets
- have potential to benefit from favorable monetary policies
- have strengthened their credit worthiness
- sit on a large foreign cushion

Asia Bonds

- have risen rapidly since 1997 to over USD 10 trillion and are expected to continue to grow
- are diversified and highly rated but still underrepresented in global indicies
- have delivered outstanding risk-adjusted returns over the past decade

Strategy Highlights

- A unique and balanced approach to investing in Asian bonds, mixing local currency and hard currency strategies.
- A rigorous and multi-dimensional risk management process from product design to portfolio construction and performance reporting.
- A direct access to the fast growing Asia bond market, leveraging expertise from over 50 dedicated fixed income professionals located in 10 countries and territories across Asia.

Top Ten Holdings

Top Ten Holdings	%
Korea Treasury Bond 2.25% 12/10/2025	5.03
China Huadian Overseas Development Management Co Ltd 4% Perpetual	4.27
Export-Import Bank of Korea 6.75% 08/09/2022	3.86
Malaysia Government Bond 4.181% 07/15/2024	3.85
Philippine Government Bond 3.5% 04/21/2023	3.71
Indonesia Treasury Bond 7% 05/15/2022	3.70
Malaysia Government Bond 4.048% 09/30/2021	3.52
Fonterra Co-operative Group Ltd 5.08% 06/19/2025	3.07
Indonesia Treasury Bond 8.375% 03/15/2024	2.91
Australia Government Bond 3.25% 04/21/2025	2.88

Sector Allocation^

Sector Allocation^	%
Corporate	37.22
Treasuries	33.38
Government-Related	28.51
Cash & Cash Equivalents	0.88

Geographical Allocation^

Geographical Allocation^	%
China	22.47
South Korea	15.14
Indonesia	14.19
Philippines	10.78
Malaysia	8.83
Australia	7.81
Hong Kong	7.47
New Zealand	5.73
Singapore	2.73
Taiwan	1.63
Supranationals	1.44
Others	1.78

Currency Allocation^

Currency Allocation^	%
USD	47.90
IDR	11.79
AUD	10.07
MYR	7.39
KRW	5.99
PHP	5.80
INR	5.31
NZD	3.08
THB	1.36
SGD	1.33

^Figures may not sum to 100 due to rounding.

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Market Review

After three months of trending higher, US Treasury yields pulled back amid elevated demand for government bonds lured by higher yields, concerns over the Biden administration's proposal for new capital gains taxes and Federal Reserve reiterates an accommodative stance. First-quarter US GDP growth posted at 6.4% (first estimate, annualized, quarter-on-quarter), while retail sales in March surged by 9.8% (seasonally adjusted, month-on-month) after the latest round of stimulus checks were distributed. Over the period, the 10-year Treasury yield fell from 1.74% to 1.63%.

In China, economic data suggested a continued but uneven recovery. Caixin's Manufacturing Purchasing Managers' Index ticked lower in March (50.6) from February (50.9), still technically in expansion territory but reaching its lowest level since April 2020. Meanwhile, first-quarter GDP grew by 18.3% year-on-year. China onshore government bond yields dropped slightly over the month. In India, local government bond yields moved lower due to concerns over the notable spike in COVID-19 cases and the Reserve Bank of India's (RBI) announcement to purchase up to US$13.5 billion of government bonds in the secondary market this quarter. In Indonesia, local government bond yields trended lower as Bank Indonesia cut its GDP forecast and kept the key interest rates unchanged at 3.5% expected by most market participants, as the central bank aims to keep its currency stable.

Asian investment grade credit markets posted negative returns over the month amid wider credit spreads, though partially offset by lower US Treasury yields and positive carry. Credit spreads on the JP Morgan Asian Investment Grade Corporate Bond Index widened by 6bps. The J.P. Morgan Asian Investment Grade Corporate Bond Index decreased by -0.83% in US dollar terms. China Huarong, a Chinese asset management company, failed to publish its result earnings by 31 March deadline and suspended its share trading; this subsequently deteriorated investors' sentiment, raised concerns and speculation of potential debt restructuring scenario. Toward the end of the period, the China Banking and Insurance Regulatory Commission assured investors on the company's liquidity situation which helped stabilize its bond prices somewhat. Other bonds from Chinese asset management companies and Chinese issuers with keepwell structure underperformed over the period amid the negative sentiment. Primary market was relatively quiet than other month, with selective China SOE and South Korea issuers tapping the market.

Most of the Asian currencies strengthened against the US dollar in April as the Fed reiterates an accommodative stance. The Taiwan dollar outperformed regional peers, driven by stronger-than-expected economic data and equity inflows. In contrast, the Indian rupee underperformed regional peers due to spike in COVID-19 cases, RBI's announcement of a new bond purchase program and higher oil prices.

Outlook

We believe the Fed is committed to a relatively accommodative monetary policy despite signs of recovery in the US economy amidst steady vaccine rollout. In contrast to past cycles, the Fed and other central banks should be more inclined to keep interest rate volatility low, and for financial conditions to remain stable to promote economic recovery. North Asian economies, especially China, so far have demonstrated better containment of COVID-19 compared to their South Asian counterparts. Overall, we believe Asia's resilient underlying fundamentals, strong government sponsorship in the corporate sector and spread premium over developed bond markets, places Asian bonds in a unique position in the global context. Nonetheless, we believe fallen angel risk in Asia remains, as companies continue to navigate their way through the crisis. We continue to remain cognizant of both systemic and idiosyncratic risks while seeking out attractive opportunities and believe that bottom-up credit selection will be key in generating further returns going forward. We favour markets such as China for its superior COVID-19 containment underpinning growth and relatively attractive yields in single-A space, and Indonesia for its compelling yields and credit rating resilience.