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 13.61 million

Fund Currency
US dollar

Dealing/Valuation
Daily

Price (NAV/unit)
USD 1.137

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 (November 30, 2021)

Asia Pacific Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.96%	-4.61%	-3.48%	10.50%	12.35%	13.70%
Annualized	n.a.	n.a.	-3.48%	3.38%	2.36%	1.28%

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	5.04
Malaysia Government Bond 4.181% 07/15/2024	4.02
Export-Import Bank of Korea 6.75% 08/09/2022	4.02
Indonesia Treasury Bond 7% 05/15/2022	3.88
Philippine Government Bond 3.5% 04/21/2023	3.85
Indonesia Treasury Bond 8.375% 03/15/2024	3.24
Fonterra Co-operative Group Ltd 5.08% 06/19/2025	2.97
Australia Government Bond 3.25% 04/21/2025	2.80
Indonesia Government International Bond 5.25% 01/17/2042	2.74
China Huaneng Group Hong Kong Treasury Management Holding Ltd 2.85% Perpetual	2.49

Sector Allocation^

Sector Allocation^	%
Corporate	36.64
Government-Related	30.50
Treasuries	29.63
Cash & Cash Equivalents	3.23

Geographical Allocation^

Geographical Allocation^	%
China	21.32
South Korea	16.88
Indonesia	15.46
Australia	9.81
Hong Kong	9.63
Philippines	9.61
Malaysia	5.57
Singapore	3.02
New Zealand	2.98
United States	2.43
Taiwan	1.79
Supranationals	1.50

Currency Allocation^

Currency Allocation^	%
USD	52.16
IDR	12.76
AUD	9.11
PHP	6.02
KRW	6.01
INR	5.52
MYR	4.03
NZD	2.98
SGD	1.41

^Figures may not sum to 100 due to rounding.

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Market Review

In the United States, Treasury yields trended higher early the month on the back of continued inflationary pressure; consumer price inflation in October surpassed 6% year-on-year, reaching its highest level since November 1990 while the Federal Reserve (Fed) began tapering its US$120bn bond-buying program in November at a pace of US$15bn a month with potential acceleration of the tapering process. Towards the end of month, Treasury yields retraced to lower levels as the spread of a new COVID-19 variant Omicron introduced uncertainty. Over the month, the 10-year Treasury yield trended lower from 1.55% to 1.44%.

In China, economic data suggested renewed economic momentum; Caixin's Manufacturing Purchasing Managers' Index moved higher in October (50.6) from September (50.0) while monthly data also suggested accelerated activity with industrial production and retail sales beating market expectations. On the monetary policy front, the People's Bank of China signaled a more dovish tone in its quarterly monetary report and increased open market operations. China onshore government bond yields fell over the month. In India, local government bond yields were marginally lower. Consumer price inflation expanded 4.48% year-on-year in October, above market expectations. Q3 GDP expanded 8.4%, in line with market expectations and supported by higher private consumption. In Indonesia, local government bond yields moved slightly higher. Bank Indonesia kept the 7-day reverse repo rate unchanged at 3.5%, in line with market expectations. The central bank cuts 2021 growth forecast to 3.2-4% from 3.5-4.3%, but slightly upgraded outlook for 2022 to 4.7-5.5%.

Asian investment grade (IG) credit markets posted positive returns over the month owing to lower US Treasury yield and positive carry, more than offsetting wider credit spreads. Credit spreads on the JP Morgan Asian Investment Grade Corporate Bond Index widened by 6bps; the JP Morgan Asian Investment Grade Corporate Bond Index increased by 0.52% in US dollar terms. Policy-wise, Chinese regulator relaxed mortgage approvals and eased onshore bond issuance for Chinese property developers. Investors' sentiment towards the Chinese property sector remained jittery with disappointing November property contract sales figures while some market participants await for further policy easing. Bonds of Chinese asset management companies (AMC) outperformed, as sentiment was boosted by news of a share placement by a renowned Chinese AMC and positive rating action by Moody's. The arrest of a Macau junket operator also raised investors' concerns on the Macau gaming sector. Primary market was quiet into year-end and dominated by Chinese issuers with mixed performance.

The performance of Asian currencies against the US dollar was mixed. The Chinese renminbi outperformed regional peers amid well-contained COVID-19 situation and twin surplus. On the other hand, South Korean won underperformed amid lingering COVID-19 concerns.

Outlook

US gradual economic recovery and the Federal Reserve imminent tapering process would support a higher US yield curve environment. North Asian economies have generally fared better in terms of economic recovery compared to South Asian counterparts year-to-date. Increasingly more South Asian economies are adopting a coexisting approach with COVID-19, reopening borders with higher vaccination rates and could be positive for their growth trajectories. On the other hand, the combination of China's regulatory intervention, power disruption and property sector shock would contribute to downward trajectory on economic growth. The potential restructuring of Evergrande and other high-yield developers is likely to remain an overhang on the property sector, including selective investment-grade developers if the sector continues to see prolonged challenges in refinancing. Overall, we 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.