

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 11.25 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.052	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, 2023)

Asia Pacific Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	0.19%	2.53%	-1.22%	-3.31%	0.29%	5.20%
Annualized	n.a.	n.a.	-1.22%	-1.12%	0.06%	0.44%

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 indices
- 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

	%
Korea Treasury Bond 2.25% 12/10/2025	5.22
Malaysia Government Bond 4.181% 07/15/2024	4.48
Korea Treasury Bond 2.375% 12/10/2031	4.46
United States Treasury Note/Bond 4% 11/15/2052	3.83
Indonesia Treasury Bond 7.125% 06/15/2042	3.61
Fonterra Co-operative Group Ltd 5.08% 06/19/2025	3.04
Asian Development Bank 3.9% 02/17/2026	2.97
China Huaneng Group Hong Kong Treasury Management Holding Ltd 2.85% Perpetual	2.93
Indonesia Treasury Bond 6.125% 05/15/2028	2.78
Indonesia Government International Bond 5.25% 01/17/2042	2.73

Sector Allocation[^]

	%
Treasuries	38.99
Corporate	30.54
Government-Related	24.41
Cash & Cash Equivalents	6.06

Geographical Allocation[^]

	%
South Korea	22.71
Indonesia	12.52
China	11.30
Philippines	8.73
Hong Kong	8.08
Australia	8.04
Singapore	7.27
Malaysia	6.19
United States	5.63
New Zealand	4.91
Supranationals	4.63

Currency Allocation[^]

	%
USD	46.66
KRW	11.82
AUD	11.62
IDR	8.36
PHP	6.41
NZD	4.91
MYR	4.49
SGD	4.08
INR	1.65

[^]Figures may not sum to 100 due to rounding.

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Market Review

In the United States, US Treasury yields ranged traded due to continued market volatility amid building fears over economic recession arising from the US banking sector turmoil and cumulative impact from the monetary tightening. US first-quarter GDP grew by 1.1% (quarter-on-quarter, annualized, first estimate), decelerated from 2.6% in fourth-quarter 2022 and below market expectation. Consumer price inflation decelerated to 5.0% (year-on-year) in March, compared to 6.0% in February. Over the month, the 10-year US Treasury yield trended lower from 3.47% to 3.42%.

In China, Caixin's Manufacturing Purchasing Managers' Index moved lower in March (50.0) from February (51.6), below market expectations due to a fall in export numbers. Meanwhile, first quarter GDP grew by 4.5% (year-on-year) mainly owing to pick up in domestic consumption activities. China local government bond yield trended lower over the period as investors seized on muted inflation. In India, local government bond yield trended lower after the Reserve Bank of India paused on the current interest rate hike cycle as inflation continued its deceleration in March (5.66% year-on-year), below the central bank's upper-end target of 6%. In Indonesia, government bond yields fell in line with US Treasury yield movements as Bank Indonesia paused for the third straight month amid decelerating inflation in March (4.97% year-on-year), which hit a seven-month low.

Asian investment grade (IG) credits posted positive performance for the month largely driven by lower US Treasury yield movement and tighter credit spreads. Credit spreads on the J.P. Morgan Investment Grade Corporate Bond Index tightened by 12bps; the J.P. Morgan Asian Investment Grade Corporate Bond Index increased by 1.18%. China investment grade (IG) credit generally outperformed on the back of strong China Q1 GDP numbers and supportive market trading technical with limited new bond supply. Elsewhere in Asia, an Indian conglomerate rallied after it reinvigorated investor confidence in its ability to repay by announcing potential partial buyback of some bonds. Primary activity picked up with a South Korean Bank, Hong Kong conglomerate, Indonesian quasi-sovereign, Indian HY renewable and a China IG issuer tapping the market before the long holidays in May.

Most Asian currencies weakened against the US dollar in April. The Indonesian rupiah was a regional outperformer on the back of continued capital inflows and decelerating inflationary pressures. In contrast, the South Korean won underperformed amid contracting exports in April which led to continuing record monthly trade deficits.

Outlook

Market expectations of a Fed pivot have been building amid the banking crisis in US and Europe. In Asia ex-China region, we believe most central banks are close to the end of its monetary policy tightening cycle amid benign inflationary environment. We believe China's shift away from its zero-Covid policy would help boost its growth trajectory; whilst we expect a positive spillover effect to other Asian economies in a varying degree and see pockets of opportunities across Asia. Economies such as Indonesia and Thailand are expected to benefit from China's reopening via increased trade and tourism. Furthermore, we believe the supportive measures for the real estate sector announced by the Chinese government should drive a gradual recovery in new home sales and moderate developers' stretched liquidity situation. While we are seeing early signs of stabilization in new home sales data, we are closely monitoring the pace of recovery and how it can benefit the broader sector and respective developers.

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