

# 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

<b>Inception Date</b> October 2011	<b>Fund Size</b> USD 9.86 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 1.017	<b>Management Fee</b> 2.00% per annum	<b>Bloomberg Ticker</b> MPUSAPB	<b>Average Credit Rating</b> A+
<b>Investment Fund Manager (the "Manager")</b> Manulife Investment Management (Hong Kong) Limited			

## Performance Return (April 30, 2024)

Asia Pacific Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-2.87%	-5.13%	-3.33%	-12.10%	-4.15%	1.70%
Annualized	n.a.	n.a.	-3.33%	-4.21%	-0.84%	0.13%

## 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	5.81
Indonesia Treasury Bond 6.125% 05/15/2028	5.58
Korea Treasury Bond 2.375% 12/10/2031	4.90
Malaysia Government Bond 4.181% 07/15/2024	4.74
Philippine Government Bond 6.125% 08/22/2028	4.37
Indonesia Treasury Bond 7.125% 06/15/2042	3.63
United States Treasury Note/Bond 4% 11/15/2052	3.63
Fonterra Co-operative Group Ltd 5.08% 06/19/2025	3.33
United States Treasury Note/Bond 4.125% 08/15/2053	3.21
Inter-American Development Bank 7.35% 10/06/2030	3.05

## Sector Allocation<sup>^</sup>

	%
Treasuries	48.65
Corporate	28.54
Government-Related	19.77
Cash & Cash Equivalents	3.04

## Geographical Allocation<sup>^</sup>

	%
South Korea	19.47
Indonesia	15.59
Supranationals	11.03
Australia	9.76
Philippines	9.75
United States	9.57
Hong Kong	5.35
New Zealand	5.30
Malaysia	4.74
China	3.97
Singapore	3.79
Thailand	1.70

## Currency Allocation<sup>^</sup>

	%
USD	35.24
KRW	13.03
AUD	12.39
IDR	11.15
INR	9.06
PHP	7.03
NZD	5.30
MYR	4.74
SGD	2.07

<sup>^</sup>Figures may not sum to 100 due to rounding.

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## Market Review

In the United States, US Treasury yields trended higher as the market recalibrated its rate cut expectations amid hawkish statements by Chairman Powell and persistent inflation data. The personal consumption expenditure price index, the Fed's preferred measure of inflation, rose 2.7% year-on-year in March, slightly above estimates, while non-farm payrolls increased by 303,000 in the same month. US first-quarter GDP grew by 1.6% (quarter-on-quarter, annualised), below market estimates. Over the period, the 10-year US Treasury yield rose from 4.20% to 4.68%.

In China, Caixin Manufacturing Purchasing Managers Index (PMI) ticked up to 51.1 in March from 50.9 in February, remaining in expansionary territory (above 50-mark) for a fifth consecutive month as growth in new orders accelerated. China's first-quarter GDP grew by 5.3%, above estimates. During the Politburo meeting, Chinese governors signalled China will step up support for the economy with prudent monetary and proactive fiscal policies, including further potential adjustments to interest rates and bank reserve requirement ratios (RRR). China local government bond yields range traded over the period. In India, the Reserve Bank of India (RBI) kept the policy rate unchanged at 6.5% amid decelerated inflation in March (4.85% year-on-year). India local government bond yields trended higher over the period. In Indonesia, Bank Indonesia (BI) surprised the market and increased its key interest rate by 25bps to 6.25% to support its currency. Inflation in March rose by 3.05% year-on-year, slightly above estimates. Indonesia local government bond yields rose over the period.

Asian investment grade (IG) credits posted negative performance for the month amid higher US Treasury more than offsetting tighter credit spreads. Credit spreads on the J.P. Morgan Investment Grade Corporate Bond Index tightened by 13bps over the month; the J.P. Morgan Asian Investment Grade Corporate Bond Index decreased by 0.86%. Credit spreads of Asian investment grade (IG) tightened as trading technical remains supportive amid onshore buying and positive headlines, that included S&P's positive outlook on a Chinese shopping platform operator and high-beta companies reporting strong performance. New issuance market held up well despite higher yield, led by several South Korean debut bond prints and a Hong Kong conglomerate which printed two tranches 5-/10-year bonds with active secondary trading.

Most Asian currencies weakened against the US dollar in April. The Chinese renminbi was a regional outperformer amid PBOC's more forceful intervention and improved sentiment in the equity market. In contrast, the Philippine peso underperformed as Philippines revised its growth forecasts lower for 2024 and 2025 and widened the budget deficit outlook through 2028.

## Outlook

We believe the Fed and other global central banks transitioning to end their rate hike cycles in 2024, would help underpin global and Asian bond markets. In Asia ex-China region, we view Asian central banks, such as Indonesia, India and South Korea, have room to cut rates in 2024 amid benign inflationary environment. In addition to the significant elections in the United States, Asia will experience key elections this year in India; we believe active management will be crucial to navigate potential market turbulence in 2024. At National People's Congress, Chinese authorities kept its growth target of around 5% level, inflation target of around 3%, and fiscal deficit target at 3% for 2024. China also announced plans to issue one trillion yuan of ultra-long special government bonds to support the budget. We expect additional monetary policy easing and more targeted measures from authorities to support its economy.

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