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 11.59 million

Fund Currency
US dollar

Dealing/Valuation
Daily

Price (NAV/unit)
USD 1.030

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 (August 31, 2022)

Asia Pacific Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-1.72%	-9.97%	-11.36%	-5.50%	-3.38%	3.00%
Annualized	n.a.	n.a.	-11.36%	-1.87%	-0.68%	0.27%

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	4.96
Malaysia Government Bond 4.181% 07/15/2024	4.32
Philippine Government Bond 3.5% 04/21/2023	4.01
Indonesia Treasury Bond 8.375% 03/15/2024	3.57
Korea Treasury Bond 2.375% 12/10/2031	3.19
Australia Government Bond 3.25% 04/21/2025	2.98
Fonterra Co-operative Group Ltd 5.08% 06/19/2025	2.94
China Huaneng Group Hong Kong Treasury Management Holding Ltd 2.85% Perpetual	2.83
China Minmetals Corp 3.75% Perpetual	2.61
Indonesia Government International Bond 5.25% 01/17/2042	2.61

Sector Allocation^

Sector Allocation^	%
Treasuries	33.78
Corporate	32.79
Government-Related	21.59
Cash & Cash Equivalents	11.83

Geographical Allocation^

Geographical Allocation^	%
South Korea	18.90
China	13.43
Indonesia	12.12
United States	10.91
Australia	10.65
Philippines	9.64
Hong Kong	7.68
Malaysia	5.89
New Zealand	4.73
Singapore	4.43
Supranationals	1.63

Currency Allocation^

Currency Allocation^	%
USD	52.65
AUD	11.33
IDR	9.90
KRW	8.14
PHP	5.99
NZD	4.73
MYR	4.32
INR	1.63
SGD	1.30

^Figures may not sum to 100 due to rounding.

Asia Pacific Bond Fund

Market Review

In the United States, the US Treasury yields surged higher on the back of hawkish comments by Federal Reserve Chairman Jay Powell at the annual Jackson Hole conference that interest rates would remain high 'for some time' to combat inflation. On the economic front, inflation grew by 8.5% year-on-year in July; non-farm payroll increased by 528k in July, up from 293k in June and better than market estimates as 250k. Over the month, the 10-year Treasury yield ended higher from 2.65% to 3.19%.

In China, economic data suggested a continued deceleration on the back of COVID-related restrictions and ructions in the property sector. Caixin's Manufacturing Purchasing Managers' Index declined in July (50.4) versus June (51.7), remaining in expansion territory, as new COVID-19 lockdowns limited production. China local government bond yields fell over the period amid monetary easing by People's Bank of China. In India, the Reserve Bank of India (RBI) raised rates by 50bps to 5.40% to fight elevated inflation. India local government bond yields fell over the period, as the consumer price index decelerated to its five-month low at 6.71% year-on-year in July. In Indonesia, Bank Indonesia (BI) hiked rates by 25bps to 3.75%, while the central bank also announced it would sell shorter-term notes and buy longer-term bonds to reduce government long-term borrowing costs and support the flagging Indonesian rupiah. Indonesia local government bond yield range traded over the period.

Asian investment grade (IG) credit posted negative return in August driven by higher US Treasury yields more than offsetting tighter credit spread. Credit spreads on the JP Morgan Asian Investment Grade Corporate Bond Index tightened by 47bps; the J.P. Morgan Asian Investment Grade Corporate Bond Index decreased by 0.57% in US dollar terms. During the month, Asian IG credits overall traded on a positive tone in credit spread terms and outperforming global equities despite heightened recessionary fears. The credit spread tightening was led by Southeast Asia credits with sovereigns spread reaching new low since May. In China, People's Bank of China (PBoC) has cut interest of its 1-year medium-term lending rate and 7-day reverse repo rate by 10bps for the second time this year. Property space saw recovery driven by rate cuts and further actions from governments to support developers on state-guaranteed bond issuance. Technology space also traded tighter as talks to avoid the delisting from US stock exchange showed progress according to a media report.

Asian currencies had mixed performance against the US dollar in August. The Thai baht was an outperformer amid Bank of Thailand's rate hike by 25 bps to 0.75%, declining oil prices and expected recovery in tourism. In contrast, South Korean won was an underperformer as the economy posted a trade deficit of US$4.7 billion in July due to tepid export growth and higher import energy costs.

Outlook

Aggressive developed market central bank's monetary policy response will negatively impact global growth outlook with stagflation risk building. On the other hand, with relatively benign inflation environment and resilient supply-chain in Asia, we expect Asian central banks to generally normalize its monetary policy at a more gradual pace than developed markets. In the near term, we believe increasing geopolitical developments could impact global investors' sentiment. China's zero COVID-19 policy is making the 5.5% GDP target more challenging to achieve. Whilst the physical property sector remains stressed leading to dramatic repricing to the China property credit market, we believe further policy measures are needed to have a positive impact on China's physical property market. Segments of Asia ex-China credit space is also attractive, as these issuers are trading at relatively attractive levels on an absolute yield basis after the correction among global credits spurred by rising macro headwinds and weak sentiment globally.