

# 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><br>October 2011  | <b>Fund Size</b><br>USD 10.05 million    | <b>Fund Currency</b><br>US dollar  | <b>Dealing/Valuation</b><br>Daily   |
| <b>Price (NAV/unit)</b><br>USD 1.089   | <b>Management Fee</b><br>2.00% per annum | <b>Bloomberg Ticker</b><br>MPUSAPB | <b>Average Credit Rating</b><br>AAA |
| <b>Investment Fund Manager (the "Manager")</b><br>Manulife Investment Management (Hong Kong) Limited |  |                                    |                                     |

## Performance Return (August 31, 2024)

| Asia Pacific Bond Fund<br>(net of management fee) | 1 Month | YTD   | 1 Year | 3 Years | 5 Years | Since Inception |
|---|---------|-------|--------|---------|---------|-----------------|
| Absolute  | 3.32%   | 1.59% | 6.14%  | -6.28%  | -0.09%  | 8.90%           |
| Annualized  | n.a.    | n.a.  | 6.14%  | -2.14%  | -0.02%  | 0.67%           |

## 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

|   |       |
|---|-------|
| Manulife Global Fund - Asian Short Duration Bond Fund % | 94.56 |
|---|-------|

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

|                          |       |
|--------------------------|-------|
| MUTUAL FUNDS/UNIT TRUSTS | 94.56 |
| Cash & Cash Equivalents  | 5.44  |

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

|                          |       |
|--------------------------|-------|
| MUTUAL FUNDS/UNIT TRUSTS | 94.56 |
| Cash & Cash Equivalents  | 5.44  |

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

|                          |       |
|--------------------------|-------|
| MUTUAL FUNDS/UNIT TRUSTS | 94.56 |
| PHP                      | 3.52  |
| USD                      | 1.89  |
| SGD                      | 0.03  |
| AUD                      | 0.01  |

<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 lower amid dovish market sentiment as the Federal Reserve (Fed) Chairman Powell announced that “the time has come” for the US to start cutting rates at the annual Jackson Hole Economic Symposium. Economic data also pointed to moderating inflation; the personal consumption expenditure price index, the Fed’s preferred measure of inflation, rose 2.5% year-on-year in June, in line with estimates. The non-farm payrolls increased by 114,000 in the same month, below market estimates, while US second quarter GDP increased by 3.0% (quarter-on-quarter, annualised), above estimates. Over the period, the 10-year US Treasury yield dropped from 4.03% to 3.90%.

In China, Caixin Manufacturing Purchasing Managers Index (PMI) fell to 49.8 in July from 51.8 in June, contracting for the first time in nine months (below 50-mark) with output and purchasing slowing. Towards the end of the month, the People’s Bank of China (PBOC) bought 400 billion yuan (\$56.3 billion) of special government bonds from primary dealers in open market operations. China local government bond yields trended higher over the period. In India, the Reserve Bank of India (RBI) kept the repo rate unchanged at 6.50% amid decelerated inflation in July (3.54% year-on-year), its lowest point since 2019. The RBI maintained its “withdrawal of accommodation” stance and kept the inflation forecast for FY25 at 4.5%. Moreover, the second quarter GDP increased by 6.7% (year-on-year) which is slower than expected. Indian government bond yields trended lower over the period. In Indonesia, Bank Indonesia (BI) kept its key interest rate unchanged at 6.25% amid moderated inflation in July (2.13% year-on-year). The second quarter GDP increased by 5.05% (year-on-year), above estimates. Indonesia government bond yields trended lower over the period.

Asian investment grade (IG) credits posted positive performance for the month mainly driven by lower US Treasury yields. Credit spreads on the J.P. Morgan Investment Grade Corporate Bond Index marginally widened by 1bps over the month; the J.P. Morgan Asian Investment Grade Corporate Bond Index increased by 1.55%. On the investment grade side, corporate earnings were the main drivers of the price and rating actions; Meituan, Xiaomi and Weibo outperformed as they reported strong earnings and robust growth amid macro challenges, while Bank of East Asia curve widened on the back of elevated credit cost. Notably, SK Hynix was upgraded to BBB from BBB- by S&P on back of expectations of higher revenue and earnings. New issuance market picked up towards the end of the month amid lower rates; primary activities were seen in China, Taiwan and Philippines which were well oversubscribed.

Most of the Asian currencies appreciated against the US dollar in August. Malaysia ringgit was a regional outperformer amid the accelerating economic growth and increasing capital inflows into the nation’s equity market. In contrast, the Indian rupee underperformed as the country’s growth notably decelerated in the second quarter.

## 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 India, Indonesia, South Korea and Philippines, to have room to cut rates in 2024 amid benign inflationary environment. 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 began the issuance of one trillion yuan of ultra-long special government bonds to support the budget. After the Third Plenum, PBoC cut various key interest rates to boost economic growth. We believe additional policy easing and more coordinated and targeted measures from authorities are required to support its economy, especially around stabilizing the property sector and promoting domestic consumption demand.

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