

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 10.36 million | Fund Currency US dollar | Dealing/Valuation Daily |
| Price (NAV/unit) USD 1.045 | 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 (February 29, 2024)

| Asia Pacific Bond Fund (net of management fee) | 1 Month | YTD | 1 Year | 3 Years | 5 Years | Since Inception |
|---|---------|--------|--------|---------|---------|-----------------|
| Absolute | -0.57% | -2.52% | 1.85% | -11.06% | -0.95% | 4.50% |
| Annualized | n.a. | n.a. | 1.85% | -3.83% | -0.19% | 0.36% |

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 | 5.70 |
| Indonesia Treasury Bond 6.125% 05/15/2028 | 5.56 |
| Asian Development Bank 6.2% 10/06/2026 | 5.05 |
| Korea Treasury Bond 2.375% 12/10/2031 | 4.85 |
| Malaysia Government Bond 4.181% 07/15/2024 | 4.51 |
| Philippine Government Bond 6.125% 08/22/2028 | 4.29 |
| United States Treasury Note/Bond 4% 11/15/2052 | 3.66 |
| Indonesia Treasury Bond 7.125% 06/15/2042 | 3.65 |
| United States Treasury Note/Bond 4.125% 08/15/2053 | 3.24 |
| Fonterra Co-operative Group Ltd 5.08% 06/19/2025 | 3.23 |

Sector Allocation[^]

| | % |
|-------------------------|-------|
| Treasuries | 48.25 |
| Corporate | 27.19 |
| Government-Related | 24.30 |
| Cash & Cash Equivalents | 0.26 |

Geographical Allocation[^]

| | % |
|----------------|-------|
| South Korea | 19.04 |
| Indonesia | 15.60 |
| Supranationals | 11.98 |
| Philippines | 9.46 |
| Hong Kong | 8.66 |
| Australia | 8.25 |
| United States | 8.06 |
| New Zealand | 5.17 |
| Malaysia | 4.51 |
| China | 3.89 |
| Singapore | 3.76 |
| Thailand | 1.64 |

Currency Allocation[^]

| | % |
|-----|-------|
| USD | 36.40 |
| KRW | 12.89 |
| AUD | 12.00 |
| IDR | 11.21 |
| INR | 8.86 |
| PHP | 6.89 |
| NZD | 5.17 |
| MYR | 4.51 |
| SGD | 2.09 |

[^]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 pared back rate cut expectations amid persistent inflation data and robust economic data. Fed chairman Powell commented the central bank will proceed carefully with rate cuts this year and will likely move at a considerably slower pace than market expects. US CPI rose 3.1% in January (year-on-year), above market estimates. Over the month, the 10-year US Treasury yield rose from 3.91% to 4.25%.

In China, Caixin's Manufacturing Purchasing Managers stayed flat in January (50.8) and remained above the 50-mark amid the first rise in new export orders in seven months. Over the month, PBOC cut 5-year loan prime rate by 25bps to 3.95%, while kept the 1-year loan prime rate unchanged at 3.45%. China local government bond yields moved lower over the period. In India, the Reserve Bank of India (RBI) kept the policy rate unchanged at 6.5% amid decelerated inflation in January (5.10% year-on-year). Moreover, India fourth-quarter GDP grew by 8.4% (year-on-year), above market estimates. India local government bond yields trended lower over the period. In Indonesia, Bank Indonesia (BI) kept its key interest rate unchanged at 6.00% amid decelerated inflation in January (2.57% year-on-year), while BI signaled the policy rate cut might happen in the second half of the year. Indonesia local government bond yields ranged traded over the period.

Asian investment grade (IG) credits posted negative performance for the month. Credit spreads on the J.P. Morgan Investment Grade Corporate Bond Index tightened by 20bps over the month offsetting higher US Treasury yields; the J.P. Morgan Asian Investment Grade Corporate Bond Index decreased by 0.01%. Over the month, high-beta names performed amid relatively attractive spread pickup over US Treasury yields and resilient credit fundamental as company earnings were generally better-than-expected. Elsewhere, frontier markets continued to move higher supported by generally better EM sovereign flows and more progress on debt restructuring in Sri Lanka, despite uncertainty from the Pakistan election. New market insurance was generally subdued; notably, a two-tranche new issue from a Philippine bank was well received by the market.

Asian currencies had mixed performance against the US dollar in February. The Indonesian rupiah was a regional outperformer as the new president Prabowo Subianto won by a huge margin, whilst market participants expect political stability and policy continuity. In contrast, the Thai baht underperformed amid widened yield differential with the US, weaker-than-expected GDP data and a currency account deficit.

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 believe Asian central banks, such as Indonesia, India and South Korea, have room to cut rates in 2024 amid benign inflationary environment. In China, we have seen signals of the central government's commitment to contain systematic risk, particularly related to the Local Government Financing Vehicle (LGFV). While we are not expecting the policymaker to roll out a massive stimulus by leveraging the nation's balance sheet, we expect more similar measures to contain systematic risk and provide ongoing support to other important economic drivers such as consumption and infrastructure to stabilize growth. With the property sector, we believe the measures will likely to be piecemeal and require time to gradually resolve the structural issues, such as oversupply of residential housing and weak funding access by non-state-owned developers. We expect policies to continue to center in stimulating demand by lowering the borrowing cost and rebuilding homebuyer's confidence, which in turn stabilizes primary home sales gradually.

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