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 11.74 million	**Fund Currency** US dollar	**Dealing/Valuation** Daily
Price (NAV/unit) USD 1.064	**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 (January 31, 2023)

Asia Pacific Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	3.70%	3.70%	-5.34%	-4.74%	-1.39%	6.40%
Annualized	n.a.	n.a.	-5.34%	-1.61%	-0.28%	0.55%

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	5.38
Korea Treasury Bond 2.375% 12/10/2031	4.62
Malaysia Government Bond 4.181% 07/15/2024	4.44
Philippine Government Bond 3.5% 04/21/2023	4.07
Indonesia Treasury Bond 7.125% 06/15/2042	3.32
Australia Government Bond 3.25% 04/21/2025	3.02
Fonterra Co-operative Group Ltd 5.08% 06/19/2025	3.01
China Huaneng Group Hong Kong Treasury Management Holding Ltd 2.85% Perpetual	2.78
Indonesia Government International Bond 5.25% 01/17/2042	2.59
Indonesia Treasury Bond 6.625% 05/15/2033	2.58

Sector Allocation^

Sector Allocation^	%
Treasuries	41.66
Corporate	30.50
Government-Related	20.53
Cash & Cash Equivalents	7.31

Geographical Allocation^

Geographical Allocation^	%
South Korea	22.72
Indonesia	11.75
Australia	10.98
China	10.76
Philippines	9.60
Hong Kong	7.69
United States	7.30
Singapore	6.80
Malaysia	6.01
New Zealand	4.86
Supranationals	1.55

Currency Allocation^

Currency Allocation^	%
USD	47.45
KRW	12.25
AUD	11.70
IDR	7.77
PHP	6.22
NZD	4.86
MYR	4.45
SGD	3.77
INR	1.55

^Figures may not sum to 100 due to rounding.

Asia Pacific Bond Fund

Market Review

In the United States, the Federal Reserve (Fed) hiked interest rate by 25 bps in the January FOMC meeting, a smaller magnitude than prior meetings and was in line with market expectations. US Treasury yields trended lower on the back of expectations that the Fed may ease its pace of hike rates amid softening inflation data. Consumer price inflation decelerated to 6.5% (year-on-year) in December, compared to 7.1% in November. US fourth-quarter GDP grew by 2.9% (quarter-on-quarter, annualized, first estimate), beating market expectations. Over the month, the 10-year Treasury yield trended lower from 3.87% to 3.51%.

In China, Caixin's Manufacturing Purchasing Managers' Index moved lower in December (49.0) from November (49.4), receding further into contractionary territory as surging COVID-19 infections disrupted production. China local government bond yields moved higher as some investors shifted out of fixed income to riskier assets due to optimism over stronger growth prospects from China's reopening. In India, inflation continued to decelerate in December (5.72% year-on-year), within the central bank's target range (4%-6%), suggesting the Reserve Bank of India (RBI) may adopt a more dovish stance. Indian government bond yields range traded over the period. In Indonesia, the Indonesian government bond yields moved lower as Bank Indonesia signaled the current rate hike cycle may soon end after raising rates by 25 bps to 5.75%.

Asian investment grade (IG) credits posted positive performance for the month. Credit spreads on the JP Morgan Investment Grade Corporate Bond Index tightened by 2bps; the J.P. Morgan Asian Investment Grade Corporate Bond Index increased by 2.36%. China credit continued to outperform amid strong investor sentiment on China's reopening. Chinese regulators continued implementing supportive measures on the property sector, e.g. easing of Three Red Lines and balance sheet support, which kept sentiment afloat. Indian credits generally underperformed amid a short seller report on an Indian conglomerate impacting sentiment. Primary market activity was active and well received by market participants, with new issuance from China, India, South East Asia and South Korea issuers ahead of the Lunar New Year holidays.

Most Asian currencies strengthened against the US dollar in January. The Thai Baht was a regional outperformer due to surging tourist arrivals and optimisms of China's reopening. In contrast, the Indian rupee underperformed as the Reserve Bank of India rebuilds its foreign reserves and slows down the pace of its currency appreciation.

Outlook

While the Fed is slowing down its aggressive policy tightening to reassess the impact of its previous rate hikes, other developed market central banks such as BOJ and ECB could be more aggressive on its monetary policy tightening if inflation persists. In contrast, we expect Asia ex-China region is closer to the end of its monetary policy tightening cycle. We believe China's shift away from its zero-Covid policy would help boost its growth trajectory. We also 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 is positive for easing onshore debt refinancing risk of Chinese developers. To see a sustained recovery of the Chinese real estate sector, we would monitor the effective implementation of the announced measures and physical market sales recovery.