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 10.49 million

Fund Currency
US dollar

Dealing/Valuation
Daily

Price (NAV/unit)
USD 1.051

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, 2024)

Asia Pacific Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-1.96%	-1.96%	-1.22%	-11.53%	-0.19%	5.10%
Annualized	n.a.	n.a.	-1.22%	-4.00%	-0.04%	0.41%

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	5.63
Indonesia Treasury Bond 6.125% 05/15/2028	5.45
Asian Development Bank 6.2% 10/06/2026	4.95
Korea Treasury Bond 2.375% 12/10/2031	4.81
Malaysia Government Bond 4.181% 07/15/2024	4.45
Philippine Government Bond 6.125% 08/22/2028	4.28
United States Treasury Note/Bond 4% 11/15/2052	3.68
Indonesia Treasury Bond 7.125% 06/15/2042	3.56
United States Treasury Note/Bond 4.125% 08/15/2053	3.33
Fonterra Co-operative Group Ltd 5.08% 06/19/2025	3.24

Sector Allocation^

Sector Allocation^	%
Treasuries	48.00
Corporate	27.54
Government-Related	22.18
Cash & Cash Equivalents	2.28

Geographical Allocation^

Geographical Allocation^	%
South Korea	20.68
Indonesia	15.36
Supranationals	9.87
Philippines	9.31
United States	9.09
Hong Kong	8.62
Australia	8.22
New Zealand	5.16
Malaysia	4.45
China	3.82
Singapore	3.79
Thailand	1.62

Currency Allocation^

Currency Allocation^	%
USD	39.05
KRW	12.77
AUD	12.01
IDR	10.98
PHP	6.78
INR	6.69
NZD	5.16
MYR	4.45
SGD	2.11

^Figures may not sum to 100 due to rounding.

Asia Pacific Bond Fund

Market Review

In the United States, US Treasury yields ranged traded and continued its volatile path. During the January FOMC meeting, the Federal Reserve held interest rate steady for a fourth consecutive meeting, while Fed chairman Powell remained insistent that more evidence is needed before the easing cycle can begin. US fourth-quarter GDP grew by 3.3% (quarter-on-quarter, annualised), beating market estimates while US CPI rose 3.4% in December (year-on-year). Over the month, the 10-year US Treasury yield rose from 3.88% to 3.91%.

In China, Caixin's Manufacturing Purchasing Managers moved higher in December (50.8) from November (50.7), reflecting increases in output and new market orders. China fourth-quarter GDP grew by 5.2% (year-on-year), slightly below market estimates. Over the month, PBOC announced to cut reserve ratio requirements (RRR) by 50bps from February 5, which will provide 1 trillion yuan in long-term capital. China local government bond yields moved lower over the period. In India, inflation moved slightly higher to 5.69% (year-on-year) in December but remained within the central bank's inflation target at 6%. India local government bond yields moved lower over the period amid Bloomberg's announcement they may include Indian bonds into their emerging market bond indices later this year. In Indonesia, Bank Indonesia (BI) held rates unchanged at 6.00% amid decelerated inflation in December (2.61% year-on-year). Indonesia local government bond yields ranged traded over the period.

Asian investment grade (IG) credits posted positive performance for the month. Credit spreads on the J.P. Morgan Investment Grade Corporate Bond Index tightened by 5bps over the month; the J.P. Morgan Asian Investment Grade Corporate Bond Index increased by 0.38%. Signs of resilience were seen in rating actions and corporate earnings; S&P upgraded several major Indonesian banks by one-notch on better government support ahead of the election in February, while some high-beta names performed supported by the upbeat earnings and outlook. On the other hand, frontier markets traded on a firmer tone with more progress on debt resolving in Sri Lanka, despite uncertainty from the upcoming Pakistan election. New market issuance was generally strong and well digested by regional investors.

Most Asian currencies weakened against the US dollar in January. The Indian rupee was a regional outperformer amid foreign inflows into the bond market in anticipation of the bond index inclusion. In contrast, the Thai baht underperformed amid strong US dollar environment, lower gold price and further roadblocks on the digital wallet rollout.

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.