

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 11.30 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.050	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 (March 31, 2023)

Asia Pacific Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	2.34%	2.34%	-4.63%	-0.28%	-1.22%	5.00%
Annualized	n.a.	n.a.	-4.63%	-0.10%	-0.25%	0.43%

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	5.33
Korea Treasury Bond 2.375% 12/10/2031	4.56
Malaysia Government Bond 4.181% 07/15/2024	4.50
Philippine Government Bond 3.5% 04/21/2023	4.28
United States Treasury Note/Bond 4% 11/15/2052	3.80
Indonesia Treasury Bond 7.125% 06/15/2042	3.46
Fonterra Co-operative Group Ltd 5.08% 06/19/2025	3.05
Asian Development Bank 3.9% 02/17/2026	2.98
China Huaneng Group Hong Kong Treasury Management Holding Ltd 2.85% Perpetual	2.91
Indonesia Treasury Bond 6.125% 05/15/2028	2.68

Sector Allocation[^]

	%
Treasuries	43.04
Corporate	31.49
Government-Related	24.21
Cash & Cash Equivalents	1.25

Geographical Allocation[^]

	%
South Korea	22.93
Indonesia	12.10
China	11.18
Philippines	9.98
Australia	8.08
Hong Kong	7.96
Singapore	7.09
Malaysia	6.14
United States	5.02
New Zealand	4.91
Supranationals	4.61

Currency Allocation[^]

	%
USD	46.75
KRW	12.06
AUD	11.72
IDR	8.04
PHP	6.48
NZD	4.91
MYR	4.51
SGD	3.92
INR	1.62

[^]Figures may not sum to 100 due to rounding.

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Market Review

In the United States, the Federal Reserve (Fed) hiked interest rate by 25 bps in the March FOMC meeting amid persistent inflationary pressures. US Treasury yields trended lower due to heightened market volatility and risk-off investor sentiment led by the banking sector turmoil in the US and Europe. Consumer price inflation decelerated to 6.0% (year-on-year) in February, compared to 6.4% in January, while the core personal consumption expenditures price index, which is the Fed's preferred gauge, decelerated to 4.6% (year-on-year) in February from 4.7% in prior month. Over the month, the 10-year US Treasury yield trended lower from 3.92% to 3.47%.

In China, Caixin's Manufacturing Purchasing Managers' Index moved higher in February (51.6) from January (49.2), entering expansionary territory due to increases in new orders and production. China local government bond yield trended lower over the period as China's central bank announced its first reserve requirement ratio (RRR) cut this year by 25 bps for all banks with a RRR above 5%. In India, local government bond yield trended lower on the back of concerns over a global economic slowdown. Inflation decelerated in February (6.44% year-on-year) but is still above the central bank's target range of 4%-6%. The downward trajectory of inflation has been priced in the market and some predicts there will be just one more rate hike by the Reserve Bank of India. In Indonesia, local government bond yields fell in line with US Treasury yield movements. Bank Indonesia kept its policy rate unchanged at 5.75% as widely expected and reaffirmed a longer pause.

Asian investment grade (IG) credits posted positive performance for the month largely driven favorable treasury yield movement. Credit spreads on the JP Morgan Investment Grade Corporate Bond Index widened by 32bps; the J.P. Morgan Asian Investment Grade Corporate Bond Index increased by 1.21%. Asian credit had a mixed month in March amidst a week of market volatility ahead of the FOMC meeting as well as negative headlines surrounding banking sector incidents in US and Europe. Chinese credit generally outperformed on the back of Alibaba's restructuring plan and Moody's revised Meituan outlook from negative to stable, backed by its recent earnings result. Primary market activity continued with Asian financials and some South Korean state-owned issuers tapping the market.

All major Asian currencies strengthened against the US dollar in March. The Thai baht was a regional outperformer on the back of the increased tourist arrivals and the interest rate hike by the Bank of Thailand. In contrast, the Indian rupee underperformed among regional peers amid building market expectations that the Reserve Bank of India to pause interest rate hikes in the April meeting.

Outlook

Market expectations of a Fed pivot have been building amid the banking crisis in US and Europe. In Asia ex-China region, we believe most central banks are close to the end of its monetary policy tightening cycle amid benign inflationary environment. We believe China's shift away from its zero-Covid policy would help boost its growth trajectory; whilst we 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. After 19 consecutive months of decline, the monthly sales of China's top 100 real-estate developers rose by 14.9% in February and surged by 29.2% in March (year-on-year).

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