

# 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> October 2011	<b>Fund Size</b> USD 10.16 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 1.047	<b>Management Fee</b> 2.00% per annum	<b>Bloomberg Ticker</b> MPUSAPB	<b>Average Credit Rating</b> A+
<b>Investment Fund Manager (the "Manager")</b> Manulife Investment Management (Hong Kong) Limited			

## Performance Return (March 31, 2024)

Asia Pacific Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	0.19%	-2.33%	-0.29%	-9.97%	-1.87%	4.70%
Annualized	n.a.	n.a.	-0.29%	-3.44%	-0.38%	0.37%

## 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	5.77
Indonesia Treasury Bond 6.125% 05/15/2028	5.63
Asian Development Bank 6.2% 10/06/2026	5.15
Korea Treasury Bond 2.375% 12/10/2031	4.93
Malaysia Government Bond 4.181% 07/15/2024	4.62
Philippine Government Bond 6.125% 08/22/2028	4.40
United States Treasury Note/Bond 4% 11/15/2052	3.76
Indonesia Treasury Bond 7.125% 06/15/2042	3.68
United States Treasury Note/Bond 4.125% 08/15/2053	3.32
Fonterra Co-operative Group Ltd 5.08% 06/19/2025	3.25

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

	%
Treasuries	49.09
Corporate	28.23
Government-Related	19.78
Cash & Cash Equivalents	2.90

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

	%
South Korea	19.38
Indonesia	15.81
Supranationals	10.96
United States	9.79
Philippines	9.71
Australia	9.63
Hong Kong	5.37
New Zealand	5.22
Malaysia	4.62
China	4.03
Singapore	3.83
Thailand	1.65

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

	%
USD	35.42
KRW	13.06
AUD	12.21
IDR	11.26
INR	9.04
PHP	7.07
NZD	5.22
MYR	4.62
SGD	2.10

<sup>^</sup>Figures may not sum to 100 due to rounding.

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## Market Review

In the United States, the Federal Reserve (Fed) kept its interest rate unchanged at 5.25% to 5.50% and signaled they expect potentially three rate cuts in 2024. The personal consumption expenditure price index, the Fed's preferred measure of inflation, rose 2.5% year-on-year in February, in line with estimates. Labour market remained strong; non-farm payrolls increased by 275,000 in the same month. Over the period, the 10-year US Treasury yield fell from 4.25% to 4.20%.

In China, Caixin Manufacturing Purchasing Managers Index (PMI) ticked up to 50.9 in February from 50.8 in January; the fourth consecutive month of expansion due to increased manufacturing orders. People's Bank of China (PBoC) governor hinted at further cuts to the banks' reserve ratio requirement during a press conference. China local government bond yields moved lower over the period. In India, inflation in February rose by 5.09% year-on-year, slightly above estimates. Domestic investors in India have been heavily buying the long end of the India government bond curve before fiscal year end. India local government bond yields trended lower over the period. In Indonesia, Bank Indonesia's monetary policy meeting was a non-event with the central bank holding policy rate unchanged as widely expected. Indonesia local government bond yields rose 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 0.86%. Credit spreads of Asian investment grade (IG) tightened as trading technical remains supportive while fundamentals of Hong Kong and China IG companies reported largely stable FY23 earnings results. Elsewhere, frontier sovereign space outperformed; Sri Lanka reached staff level agreement with IMF which signaled progress in debt restructuring. Pakistan sovereign bonds extended gains on progress on IMF funding.

Asian currencies had mixed performance against the US dollar in March. The Malaysian ringgit was a regional outperformer amid vocal government support and strong policies to encourage state-backed firms to repatriate and convert overseas earnings. In contrast, the Thai baht underperformed amid sluggish economic growth and expectations of rate cuts by Bank of Thailand.

## 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 Indonesia, India and South Korea, 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 announced plans to issue one trillion yuan of ultra-long special government bonds to support the budget. We expect additional monetary policy easing and more targeted measures from authorities to support its economy.

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