

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 11.08 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.040	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 (May 31, 2023)

Asia Pacific Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-1.14%	1.36%	-2.35%	-5.54%	-0.57%	4.00%
Annualized	n.a.	n.a.	-2.35%	-1.88%	-0.11%	0.34%

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	5.34
Korea Treasury Bond 2.375% 12/10/2031	4.53
Malaysia Government Bond 4.181% 07/15/2024	4.40
United States Treasury Note/Bond 4% 11/15/2052	3.71
Indonesia Treasury Bond 7.125% 06/15/2042	3.67
Fonterra Co-operative Group Ltd 5.08% 06/19/2025	3.00
China Huaneng Group Hong Kong Treasury Management Holding Ltd 2.85% Perpetual	2.99
Asian Development Bank 3.9% 02/17/2026	2.94
Indonesia Government International Bond 5.25% 01/17/2042	2.76
Indonesia Treasury Bond 6.125% 05/15/2028	2.72

Sector Allocation[^]

	%
Treasuries	38.83
Corporate	30.77
Government-Related	24.51
Cash & Cash Equivalents	5.89

Geographical Allocation[^]

	%
South Korea	22.91
Indonesia	12.58
China	11.49
Philippines	8.80
Hong Kong	8.19
Australia	7.98
Singapore	7.32
Malaysia	6.13
United States	5.23
New Zealand	4.80
Supranationals	4.57

Currency Allocation[^]

	%
USD	46.84
KRW	11.99
AUD	11.43
IDR	8.38
PHP	6.43
NZD	4.80
MYR	4.41
SGD	4.09
INR	1.62

[^]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 May FOMC meeting; over the month, Fed Chair Powell reiterated that the Fed's future decisions would be data-dependent and their preference is to examine the economic data and the evolving outlook to make a careful assessment. US Consumer price index decelerated to 4.9% (year-on-year) in April, compared to 5.0% in March, while the core personal consumption expenditures price index, which is the Fed's preferred gauge on inflation, accelerated to 4.7% (year-on-year) in April from 4.6% in prior month. US Treasury yields generally trended higher amid concerns over the extension of US debt ceiling and a potential default. Over the month, the 10-year US Treasury yield trended higher from 3.42% to 3.64%.

In China, Caixin's Manufacturing Purchasing Managers' Index moved marginally lower in April (49.5) from March (50.0), below market expectations and falling back into contractionary territory due to weak global demand. China local government bond yield trended lower over the period amid weak economic data and building market expectations of additional monetary stimulus. In India, local government bond yield trended lower amid decelerating inflation in April (4.70% year-on-year), which hit an eighteen-month low and below the central bank's upper-end target of 6%. Meanwhile, first quarter GDP grew by 6.1% (year-on-year), beating market expectations as several sectors delivered a positive surprise. In Indonesia, government bond yields fell as Bank Indonesia continued to keep its policy rate unchanged at 5.75% amid decelerating inflation in April (4.33% year-on-year). Meanwhile, first quarter GDP grew by 5.03% (year-on-year), above market expectations.

Asian investment grade (IG) credits posted negative performance for the month largely driven by higher US Treasury yield movement. Credit spreads on the J.P. Morgan Investment Grade Corporate Bond Index tightened by 2bps; the J.P. Morgan Asian Investment Grade Corporate Bond Index decreased by 0.32%. China investment grade (IG) credit generally underperformed as economic data released points to an uneven recovery. Moody's upgraded the China property sector outlook from negative to stable on the back of better sales and funding conditions due to economic recovery and favorable government policies. Elsewhere in Asia, an Indian conglomerate posted positive earning headlines helped its bonds to trade higher. Primary market activity picked up with high quality issuances from Singapore, South Korea, and China, which generally performed in line with market.

Most Asian currencies weakened against the US dollar in May. The South Korea won was a regional outperformer on the back of strong inflows into its capital market. In contrast, the Malaysian ringgit underperformed due to contracting exports and falling oil prices which may reduce Malaysia's current account surplus.

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 path to recovery to be an uneven one; 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 should drive a gradual recovery in new home sales and moderate developers' stretched liquidity situation. While we are seeing early signs of stabilization in new home sales data, we are closely monitoring the pace of recovery and how it can benefit the broader sector and respective developers.

Disclaimer

The Asia Pacific Bond Fund is an investment fund option for The Manufacturers Life Insurance Co. (Phils.), Inc. and is managed by Manulife Investment Management (Hong Kong) Limited.

The Investment Funds ("Funds") mentioned in this document are specific to variable life insurance contracts and are not considered mutual funds. Yields depend on interest and foreign exchange rate levels, both of which may fluctuate. Other factors that affect yield include changes in the credit standing of the issuers and changes in the value of the stocks and dividends received. Further, investments of the Funds may provide that their values be determined based on prices or yields of other securities, instruments or foreign currencies, and such provisions may result in negative fluctuations in the value of these investments and, in turn, the Funds' yields. Thus, the performance of the separate account(s) is not guaranteed and the value of the policy could be less than the capital invested subject to any specified minimum guarantees. THE VARIABLE LIFE POLICYHOLDER SHALL BEAR ALL INVESTMENT RISKS. Past performance of the Funds is not necessarily indicative of future performance. Yields are not guaranteed. Yields indicated are exclusive of charges associated with the variable life policy.

Manulife Investment Management™ is the institutional asset management arm of Manulife Financial. Manulife Investment Management™ and its affiliates provide comprehensive asset management solutions for institutional investors and investment funds in key markets around the world. This investment expertise extends across a full range of asset classes including equity, fixed income and alternative investments such as real estate, timber, farmland, as well as asset allocation strategies.

The opinions and portfolio holdings expressed are those of Manulife Investment Management™ ("Manulife IM") as of the date stated in the document, and are subject to change based on market and other conditions. The information in this document including statements concerning financial market trends, are based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. Manulife IM disclaims any responsibility to update such information. Information about the portfolio's holdings, asset allocation, or country diversification is historical and is not an indication of future portfolio composition, which will vary. All overviews and commentary are intended to be general in nature and for current interest. While helpful, these overviews are no substitute for professional tax, investment or legal advice. Clients should seek professional advice for their particular situation. Neither Manulife Financial, Manulife Investment Management™, nor any of their affiliates or representatives is providing tax, investment or legal advice. Past performance does not guarantee future results. This material was prepared solely for informational purposes, does not constitute an offer or an invitation by or on behalf of Manulife IM to any person to buy or sell any security and is no indication of trading intent in any fund or account managed by Manulife IM. Investors should not make investment decisions based on this material alone. For details, please refer to the relevant investment policy and product key fact statements.