

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 11.21 million	Fund Currency US dollar	Dealing/Valuation Daily
Price (NAV/unit) USD 1.011	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 (November 30, 2022)

Asia Pacific Bond Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	4.44%	-11.63%	-11.08%	-8.01%	-5.25%	1.10%
Annualized	n.a.	n.a.	-11.08%	-2.74%	-1.07%	0.10%

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	5.22
Malaysia Government Bond 4.181% 07/15/2024	4.49
Korea Treasury Bond 2.375% 12/10/2031	4.43
Philippine Government Bond 3.5% 04/21/2023	4.06
Indonesia Treasury Bond 7.125% 06/15/2042	3.32
Fonterra Co-operative Group Ltd 5.08% 06/19/2025	3.05
Australia Government Bond 3.25% 04/21/2025	2.98
China Huaneng Group Hong Kong Treasury Management Holding Ltd 2.85% Perpetual	2.91
Indonesia Government International Bond 5.25% 01/17/2042	2.68
Indonesia Treasury Bond 6.625% 05/15/2033	2.48

Sector Allocation[^]

	%
Treasuries	40.80
Corporate	30.96
Government-Related	18.96
Cash & Cash Equivalents	9.28

Geographical Allocation[^]

	%
South Korea	22.47
Indonesia	11.81
China	10.83
Australia	10.76
Philippines	9.68
United States	9.22
Singapore	6.76
Malaysia	6.10
Hong Kong	5.83
New Zealand	4.91
Supranationals	1.62

Currency Allocation[^]

	%
USD	48.26
KRW	11.72
AUD	11.42
IDR	7.75
PHP	6.16
NZD	4.91
MYR	4.50
SGD	3.66
INR	1.62

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

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Market Review

In the United States, US Treasury yields was lower due to statements by Federal Reserve Chairman Powell that the potential pace of future rate hikes could be slower. Third quarter GDP grew by 2.9% (quarter-on quarter, annualized, actual), ending two consecutive quarters of contraction, consumer price inflation remained elevated at 7.7% in October (year on year), decreasing 0.5% month on month from September. Over the month, the 10-year Treasury yield ended lower from 4.05% to 3.60%.

In China, Caixin's Manufacturing Purchasing Managers' Index moved higher in October (49.2) from September (48.1), beating market expectations, but was still in contractionary territory, as COVID-19 lockdowns disrupted production. China local government bond (CGB) yields trended higher over the period as the government released policies to boost the property sector and loosen COVID-zero policy to stimulate economic growth. In India, inflation decelerated at 6.77% year-on-year in October from 7.41% in September, spurring speculation that the Reserve Bank of India could pursue smaller rate hikes starting in December. India local government bond yields fell over the period. In Indonesia, inflation moderately eased at 5.71% year-on-year in October and the central bank governor stated that front-loaded rate hikes, coupled with targeted energy subsidies in 2023, would likely anchor inflation expectations. Despite Bank Indonesia (BI) hiking rates by 50 bps to 5.25%, Indonesia local government bond yield fell over the period.

Asian investment grade (IG) credits posted positive return in November amid potential Chinese government pivot on its COVID policy and Powell's remark signaling a slower pace of rate hikes. Credit spreads on the JP Morgan Asian Investment Grade Corporate Bond Index tightened by 47bps; the J.P. Morgan Asian Investment Grade Corporate Bond Index increased by 4.00% in US dollar terms. November began with a weak start to the market due to more restrictive COVID measures being imposed to some cities in China, but subsequent news on major cities easing lockdown measures and Guangzhou relaxing isolation requirement fueled market sentiment. Rebounds were led in China property space in response to a series of policy announcements by Chinese government to resolve liquidity stress in the sector. These measures are viewed by the market as the most comprehensive and coordinated policy response since the start of this crisis. Macau gaming names surged following the license renewal decision to maintain status-quo which removed a major overhang for the sector. On the other hand, Southeast Asian credit also saw decent rally amid improved investors' sentiment.

Most Asian currencies strengthened against the US dollar in November, whilst Asian currencies had a mixed performance against the Singapore dollar. The South Korean won was a regional outperformer on the back of the Bank of Korea's interest rate hike and potential for slower pace of fed rate hikes. In contrast, Indonesia's rupiah was the only regional currency to depreciate against the greenback due to narrowing (unattractive) rate differentials with other emerging markets and intensifying inflationary pressures- above the central bank's upper-end target.

Outlook

Federal Reserve remains focused on inflation as it continues to rapidly adjust its monetary policy settings to a restrictive setting. Aggressive developed market central bank monetary policy tightening will likely weigh on global growth outlook with risk of recession building. We believe the supportive measures for the real estate sector announced by the Chinese government is positive and eases 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. On the other hand, Asia ex-China region has generally adopted more flexible pandemic policies, which is expansionary for economic activity. Some Asian economies initiated various measures such as subsidies, tax cuts and trade restrictions to contain inflation. With relatively benign inflation environment and resilient supply-chain in Asia, we expect Asian central banks to tighten its monetary policy at a more gradual pace than developed markets.

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